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NEWSPAPER

**Coffee, tea service stimulate sales**

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Nation's
# Restaurant News®
*The Weekly Newspaper of the Food-Service Industry*

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# BK franchisees snub spin-off

## *Dissenters peril Pillsbury plans*

**By Peter J. Romeo**

MINNEAPOLIS — Pillsbury's bombshell proposal to spin off Burger King has driven a wedge between Pillsbury executives and Burger King franchisees at a time when the conglomerate needs a united front.

The licensees' opposition to converting Burger King into a separate, highly leveraged company, coupled with many shareholders' acceptance of Grand Met's offer, was undermining Pillsbury's drive to remain independent.

"We don't trust them anymore," asserted Florida licensee Manny Garcia, noting that Pillsbury had previously insisted that it would not divest Burger King.

"It's obvious that Pillsbury's executives are doing what's best for them, not what's best for the Burger King system," snapped Brady Keys, a franchisee based in Detroit.

Compounding matters, the proposal to divest Burger King has jeopardized what appears to be Pillsbury's most potent remaining anti-takeover defense, a "poison pill" stock dilution plan that Grand Met is challenging in court.

Grand Met said it would not buy the three-fourths of Pillsbury's common shares that have already been tendered unless the measure is nullified. The poison pill would

*(See **PILLSBURY,** page 106)*

FOOD WATCH

# *TALKIN' TURKEY*

## *Restaurateurs tailor menus with Thanksgiving specials*

**By Joe Edwards**

Restaurants around the nation are featuring special dinners for the Thanksgiving holiday, and while turkey is on the menu at most places, holiday offerings certainly aren't limited to the popular bird.

At the Grand Hyatt in Washington, D.C., choices include roast turkey with corn bread stuffing and baked Virginia ham with currant and apricot chutney and a variety of side dishes and desserts priced at $19.50 for adults and $9.75 for children.

In Chicago the Village Restaurant in the Italian Village is serving a $10.75 Thanksgiving dinner that includes soup, salad, roast turkey with chestnut and liver stuffing, baked sweet potato, cranberries, pumpkin pie, and coffee.

Fiasco in New York is offering a three-course holiday din-

*(See **HOLIDAY,** page 106)*

## *Furrs sells just the trimmings in new twist on old tradition*

**By Tracey Taylor Woodard**

LUBBOCK, Texas — Furrs Cafeterias have put a new twist on an old cafeteria tradition with the introduction of a new "everything-but-the-turkey" Thanksgiving take-out package.

"Preparing the turkey is part of the Thanksgiving fun," said Rich Lahvic, marketing director for Furr's/Bishop's Cafeterias, L.P. "All of the other things, though, are Thanksgiving drudgery. We have the solution for that."

The Furrs meal, which feeds 10 to 14 people, includes sage dressing, giblet gravy, sweet potatoes, green beans, two salads, rolls, mashed potatoes, hot spiced apple cider, cranberry sauce, one pumpkin pie, and one pecan pie.

It is priced at $29.95 and

*(See **TRIMMINGS,** page 106)*

# Rieses buy stake in H&H

## *Attracted to NY real-estate holdings*

**By Rajan Chaudhry**

NEW YORK — Restaurant and real-estate barons Murray and Irving Riese have moved to tighten their grip on the Big Apple by quietly accumulating a 7-percent stake in the beleaguered Horn & Hardart Co.

The Rieses — who operate more than 350 restaurants — along with two partners, bought 1 million shares of stock of Horn & Hardart, a Las Vegas, Nev.-based restaurant and mail-order concern with considerable holdings here. The cost, including commissions, exceeding $8.5 million. The group spread its purchases over a five-month period so that they would not drive up stock prices, Murray Riese said.

In a statement filed with the Securities and Exchange Commission, the group, Automatic Partners, said that, depending on management's progress in enhancing shareholder value, it may seek control of Horn &

*(See **RIESES,** page 106)*

NRN Photo

**Jim Errant shows off his America's Kitchen restaurant in the new Bloomingdale's center.**

# Chicago maestros vie in new mall

**By Carolyn Walkup**

CHICAGO — Four top local independent restaurant operators who compete for business elsewhere around town are now butting heads under the same roof.

The operators wanted to be in the city's hottest shopping mall, The Avenue Atrium, anchored by Bloomingdale's on North Michigan Avenue, which just opened to much fanfare. They are Richard Melman of Lettuce Entertain You Enterprises, Larry and Mark Levy of the Levy Restaurants, Jim Errant of Errant Enterprises, and Tom DuBois of Harry's Cafe.

"With this building, the geographic center of gravity has come back to North Michigan Avenue," said Larry Levy, whose company operates most of the restaurants in Chicago's other high-rise shopping mall on North Michigan Avenue, Water Tower Place.

So badly did Levy long to have a restaurant in this development that he accepted the last available location after his three

*(See **CHICAGO,** page 4)*

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# NEWS DIGEST

## Grand Met says LBO bid won't deter Pillsbury buyout

LONDON — Grand Metropolitan assured investors that it would not abandon plans to take over Pillsbury even if Drexel Burnham Lambert, one of Pillsbury's five investment counselors, does indeed mount a hostile attempt to acquire Grand Met.

"I find it very hard to see it as other than a ploy or tactic to see if they can scare us off," Ian Martin, head of Grand Met's North American operations, said of unconfirmed reports that Drexel is about to launch a takeover attempt.

Martin said that Grand Met regards a purchase attempt as a real possibility, but he noted that the company would not adopt a "defensive crouch" in anticipation of a bid.

Pillsbury has said that it might attempt to buy a controlling interest in Grand Met as a way of fending off a takeover attempt. The company has also proposed a spin-off of Burger King as a means of dodging the acquisition.

## Ogden joins Spectrum vet to open American restaurant

SAN FRANCISCO — Chef Bradley Ogden of Campton Place restaurant here and former Spectrum Foods executive Michael Dellar are planning to open a Marin County restaurant offering "country American" fare at moderate prices.

Ogden indicated that he would probably leave Campton Place, one of the nation's most-praised dining spots, in February.

Ogden, Dellar, and some limited partners have agreed to buy the Lark Creek Inn in Larkspur from Victor and Roland Gotti, who also own the famous Ernie's restaurant in San Francisco, Ogden said. If the transaction clears escrow in January, as expected, the restaurant could be remodeled and open for business by April, he added.

## Palmer opens long-awaited solo restaurant in NY

NEW YORK — Charles Palmer, one of the city's most renowned young American chefs, has opened his long-awaited solo venture, a French restaurant here called Aureole.

The place, which is currently open only for dinner, is on the East Side of Manhattan, on 61st Street. Palmer rose to fame while he was manning the kitchen at River Cafe, a popular restaurant in Brooklyn.

## Judge orders Two Pesos to revamp all its units

HOUSTON — A U.S. district judge here has ruled that Two Pesos must alter the appearance of its 30 units to avoid confusion with archrival Taco Cabana.

Judge John V. Singleton Jr. left it to the two Mexican fast-food chains to work out solutions and said he will rule on their proposals by Dec. 1.

Taco Cabana recently won a judgment of more than $1 million against Two Pesos in a "copycat" lawsuit charging Two Pesos with trademark infringement. Taco Cabana claimed in the suit that much of Two Pesos equipment was the same shape and size and in the same place as its own and that Two Pesos' recipes were exact duplicates of Taco Cabana's.

## Levenson weighs LBO of Furr's-Bishop's

LUBBOCK, Texas — Michael Levenson, chairman of Furr's-Bishop's Cafeterias L.P., said he might attempt to acquire the cafeteria operator through a leveraged buyout.

Furr's-Bishop's was among the spate of food-service companies that converted to limited partnerships for tax privileges in recent years. It is believed to be the first to seek to reverse the process.

About one week before Levenson indicated that he was weighing a buyout, Furr's disclosed it was exploring recapitalization options, including the conversion to a corporation or publicly held company.

## *Copeland courting Church's licensees in takeover attempt*

**By Karen Bruno**

SAN ANTONIO, Texas — A. Copeland Enterprises escalated its attempt to take over Church's Fried Chicken by boldly setting up camp to lure dissident licensees to its side during Church's annual operators convention here.

Visibly perturbed by the move, Church's officials vowed to fend off advances by Copeland, the parent of rival Popeyes.

"We've obviously gone to war," said Church's chief executive Ernest Renaud during his opening remarks, prompting enthusiastic applause and cheers.

Meanwhile, at least two Church's shareholder groups have filed separate class-action lawsuits challenging Church's decision to fight the $8-per-share takeover bid.

Church's board has urged shareholders not to tender shares under Copeland's offer — worth about $285 million — and has instituted a "poison pill" shareholder rights plan to block it.

Charging that Church's board has not acted in the best interest of the shareholders, both shareholder suits aim to force negotiations with prospective buyers and are seeking unspecified damages.

Notably absent from the convention, which was attended by about 400 franchisees and company store operators, was J. David Bamberger, Church's chairman and largest shareholder.

Since Bamberger reassumed the helm of the beleaguered chicken chain in 1983, Church's has attempted several turnaround programs under three different leaders.

## TW urges shareholders to rebuff Coniston bid

NEW YORK — TW Services Inc. has beseeched shareholders to reject a limited stock-tender offer from Coniston Partners on the grounds that the unwanted suitor would sell some of TW's food-service holdings if a takeover is consummated.

Coniston has said in government filings that it indeed might sell certain assets to retire debt that would be incurred in the acquisition. TW's operations include Canteen Corp., the Denny's and Quincy's restaurant chains, and more than 400 franchised Hardee's units.

Coniston recently bid $29 per share for a majority of TW's outstanding common stock. The arbitrage concern has not sought to acquire all outstanding shares because such an offer would trigger a "poison pill" defense, greatly raising the cost of a buyout.

## Foodmaker suitor extends stock offer until December

SAN DIEGO — With Foodmaker's shareholders having tendered less than half of the food-service company's stock, FM Acquisition Corp. has extended to Dec. 1 its sweetened $19.425-a-share acquisition offer.

Foodmaker operates Jack in the Box and Chi-Chi's.

FM Acquisition said it had purchased about 5.3 million of Foodmaker's 12.9 million total shares outstanding.

## NRN seeks 1989 candidates for Fine Dining Hall of Fame

NEW YORK — Nation's Restaurant News has mailed ballots to its 90 Fine Dining Hall of Fame restaurants to choose 10 new Hall of Famers for 1989.

The 10 selected early next year will be featured in NRN's second annual Fine Dining & Food Trends supplement on May 8. They and the previous 90 Hall of Famers will be honored at NRN's annual champagne luncheon during the National Restaurant Association Show.

# FOCUS | VIEWPOINT

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# The Greenpeace threat to seafood chains

Greenpeace, a Washington, D.C.-based group of worldwide environmental activists, has raised havoc with business and industry on a number of fronts — in many cases effectively and deservedly.

The organization has been unabashedly against nuclear operations that threaten the environment, against toxic wastes being dumped throughout the world's waterways, against baby seals being clubbed to death, and for a clean environment. Not many would argue with these principles.

Greenpeace's members do not just make speeches and denounce sins against the environment. They create stern pressure by issuing boycotts, making threats, and stationing ships in strategic places around the world. The boats monitor environmental violations, sit in harbors on patrol near environmental trouble spots, and shadow waste-disposal vessels that are said to be contaminating the seas.

It has gotten to the point where foreign governments have conspired to sink Greenpeace ships and have succeeded in at least one highly publicized sabotage case.

The latest drive of Greenpeace against "environmental hazards" is a fierce campaign against whaling. The group has led more than 100 demonstrations for a boycott of any seafood purchased from Iceland.

With the worldwide dwindling of whale supplies, a five-year moratorium is in effect through 1989, barring all whaling except for scientific research purposes. The Icelandic government says "only 80 whales" were killed in 1987 for research purposes, and far fewer were killed this year.

But the Greenpeace organization and others feel that Iceland may be carrying out commercial whaling in the guise of research, an assertion Iceland vehemently denies, calling the protests "ignorant."

We have no quarrel with the idea of preserving whales wherever possible. If hundreds of people and ships could be utilized in a massive U.S.-Soviet cooperative enterprise to save two whales trapped under the ice in Alaska's Bering Sea, and if almost the entire world's attention could be riveted on the dramatic rescue feat, whales seemingly enjoy preferred status.

Yet man is very ambivalent about whales and has a true fascination with them, pro and con. Thus Alaskan whales are regarded there as a highly desirable food. The hypocrisy of Greenpeace's whaling boycott against Iceland is that it signaled out Iceland but is doing little, if anything, about the situation in Alaskan waters.

Most regrettably, Greenpeace has threatened Burger King, Wendy's, Captain D's, and Long John Silver's with boycotts unless the chains refuse to purchase the various types of fish — particularly cod — so plentiful in the waters around Iceland. Burger King and Wendy's indicate they primarily utilize other sources, but Greenpeace maintains that they do purchase seafood from Iceland.

The threatened boycotts are doubly unfair because, so far as is known, the major seafood suppliers in the Iceland area do no whaling. Greenpeace is applying severe pressure where it hurts, but the whole process is flawed. Power apparently has gone to its head.

We hope that none of the chains will yield any further to the group's demands, which in this case are irrational. For whatever reasons, Long John Silver's has canceled a contract with an Iceland seafood supplier and will utilize its many other supplier sources.

Greenpeace continues to threaten American chains buying any seafood from Iceland's waters. While we certainly favor preserving the environment and the whales, we think Greenpeace's current tactics are reprehensible and must be staunchly resisted.

## LETTERS

### *NRA, state associations stir awareness, concern*

Editor, NRN:

In Ken Rankin's Focus/Viewpoint column of Oct. 3, he discussed "Who's to blame if minimum-wage bill passes." I recognize that he was trying to stimulate thought, but I feel his reference to the National Restaurant Association warrants a response.

First, the minimum-wage bill did not pass, as least as of this writing. As a matter of fact, it didn't even get to a vote in the Senate, and the House wouldn't discuss it. I'd forget the "blame" idea and start passing out a little credit.

The National Restaurant Association wasn't the only game in town on this issue, but it was sure one heck of a player. For three days in September members from all over the country met in the capital to hear about the major issues facing our industry and also to discuss them.

Side by side we discussed fast food, home delivery, coffee shops, fine dining, all segments of the industry. And then one afternoon, again side by side, we went to Capitol Hill and were in and out of dozens of congressional and Senate offices, in most cases meeting with the elected representatives themselves.

I believe there is much more mutual awareness and concern in our industry than ever before, and I believe our state and national associations deserve a lot of credit for the results of this growing cooperation.

There is much yet to be done. There probably always will be. But I sure wouldn't want any doubters to impede the momentum and progress that is taking place.

**— Paul J. Mitchell**
*vice president, public relations*
Carl Karcher Enterprises
Anaheim, Calif.

### *'Distribution doctor' praises purchasing people*

Editor, NRN:

Thanks so much to your purchasing columnist, Patt Patterson,. for the opportunity to be interviewed for an article in Nation's Restaurant News. I didn't really realize that an interview could be so enjoyable. I believe the big difference is that you understand the purchasing and distribution aspects of our industry so well, which made it very easy for me to relate the challenges and opportunities that we see here at T.J. Cinnamons.

I also wanted to say thank you for Patterson's excellent job in putting this article together and identifying me as the "distribution" doctor. Patt, sincerely, I enjoyed this visit with you very much and do appreciate the way you put the article together and the time you spent with me.

I think it is also important to mention that I believe you have done a tremendous service to those hundreds and thousands of people in our industry who are known as purchasing (and distribution) people. I have worked in our industry for more than 15 years, and too many times great accomplishments by purchasing people are shrugged off as "it's part of their job," with no real recognition or acknowledgment of any kind.

I believe that through your articles you are making people more and more readers aware of the significant contributions of purchasing people to bottom-line profits and helping them gain a new position in the eyes of top management.

**— Jerry L. Snyder**
*director of purchasing and distribution*
T.J. Cinnamons Ltd.

### *Rosenberg, family, execs: MUFSO a job well done*

Editor, NRN:

You and your staff deserve tremendous credit for having conducted an excellent MUFSO meeting from beginning to end. I want you to know that my family, the executives at Dunkin' Donuts, and I were extremely pleased and proud to have been included and to have participated.

Please accept my personal thanks and appreciation to your entire staff.

**— William Rosenberg**
*1988 MUFSO pioneer of the Year*
*Founder and Chairman Emeritus*
Dunkin' Donuts
Boca Raton, Fla.

### *Editorial creed stands up to the test of logic*

Editor, NRN:

Your June 27 editorial on the paper's credo could not have presented a better case for your position. Although not everyone may agree with you, they cannot dispute the logic of your creed and the fact that it has been very well thought through and expressed.

**—Max Pine**
*president*
Restaurant Associates Industries
New York

**More letters appear on page F17**

# FOCUS | COFFEE & TEA

# MAKING A FLAVORABLE IMPRESSION

*Changing coffee and tea habits find promotions, exotic blends, and iced drinks on the rise as determined operators find ways to sell this staple of the American diet*

By Bill Carlino

Coffee and tea are the staples of American hot beverages.

Each boasts a fiercely loyal consumer following and a history as rich as their aromatic blends.

According to the National Coffee Association, 50 percent of all Americans drink coffee, while the National Tea Council reports that nine out of 10 homes serve either iced or hot tea at least once a day.

Operators know that the quality of their coffee or tea usually represents either the initial or final opportunity to make a favorable impression on a guest, and often a hotel or restaurant is known solely by the reputation and quality of its coffee or tea.

At the Cleveland-based Heck's Cafe, 95 percent of the customers who flock to the establishment's two locations order its signature cinnamon coffee by the cup or in one-pound bags for home use.

In Chicago Lou Mitchell's, a breakfast and lunch operation whose sign advertises the restaurant as "serving the world's finest coffee," is the recipient of some 36 awards of excellence from the NCA.

Meanwhile, more than 350 hotels across the country have implemented an afternoon tea service that is funneling revenues to food and beverage coffers during the normally dormant 2 p.m.-to-5 p.m. time slot.

"If you can get people in for a good cup of coffee or tea, very often that's your marketing hook," says a New York-based independent restaurateur. "It's a very subdued way to increase your check average dramatically."

Coffee in particular can account for a staggering percentage of an operation's revenues, as it appears on restaurant checks more frequently than any other item.

At the Ohio-based Bob Evans Farms restaurants, regular and decaffeinated fresh-brewed coffee accounts for 7 percent of total daily revenues, while at Winchell's Donut House its premium blended coffee yields 10 percent of sales.

At the 1,700-unit Dunkin' Donuts, sales of its freshly ground coffee account for nearly 25 percent of the gross, and the 4,000-unit Circle K convenience store chain estimates it will brew more than 1 million pounds of coffee in 1988.

A cup that costs an operator five cents is often sold in restaurants for one dollar, and a pound of regular coffee that traditionally serves 50 to 60 cups can be purchased wholesale for as little as two dollars.

To capitalize on this ancient but underappreciated source of revenue, many operations are diving in with creative coffee promotions in an effort to hike check averages.

"Coffee and tea are usually thought of as older people's drinks," explains Jim Verney, vice president of marketing for the 700-unit Winchell's Donut House.

"Today, however, many operations, including ours, are trying to corner the 24-to-45 age group," he continues. "We're trying to convince the baby boomers just how flexible coffee is. It can be consumed any time of the day, not just at seven o'clock in the morning.

"And it can be served either hot or cold."

Last year a Minneapolis franchise of the White Castle hamburger chain served 6-ounce cups of coffee for a nickel to help take the bite out of the frigid Minnesota winter. The result: a tripling of coffee sales.

The New Jersey-based Meadowlands race track advertised "beat the cold night" with one half of an admission ticket redeemable for a free cup of coffee and the other for a free ice scraper.

One thousand units of the National Convenience Stores placed in their windows large signs that read "No Free Coffee Today." However, during five days out of every month the word "no" was removed, and customers received free coffee.

The 200-unit Bob Evans Farms has currently teamed up with the National Football League for a promotion in which customers can purchase coffee mugs with the team logos of four selected teams for $1.

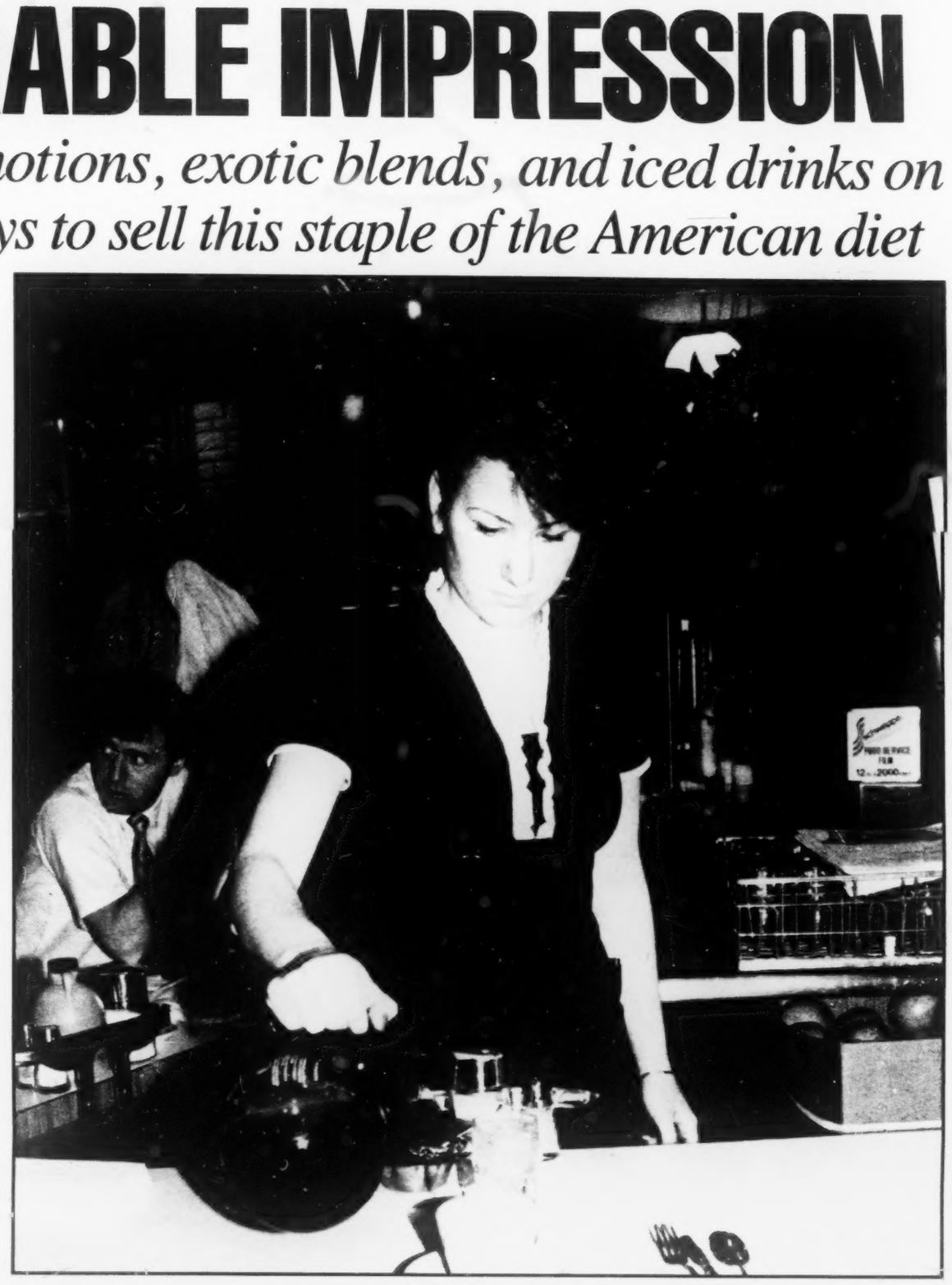
Shoney's is working with its coffee supplier on a sweepstakes in which the 660-unit family restaurant will give away weekend trips in conjunction with scheduled NASCAR races.

While free refills of coffee at restaurants are commonplace, some operators have taken the practice one step farther. The 350-unit Perkins Restaurants experienced such success with its famous "bottomless cup" of coffee that it had the concept trademarked.

"Coffee is such an established part of many restaurant menus that it has evolved beyond advertising and has become a purchasing issue," explains Pat Morris, vice president of marketing for Perkins.

At Perkins, after the first cup of coffee is served, a pot is placed on the table so customers can help themselves to seemingly endless refills.

"The bottomless cup actually helps improve service and profit," Morris says. "Because waitresses can serve the food faster without having to make extra rounds with coffee refills. As a result, we turn the tables over faster."



NRN Photo

**A waitress at Lou Mitchell's in Chicago serves a piping hot cup of coffee.**

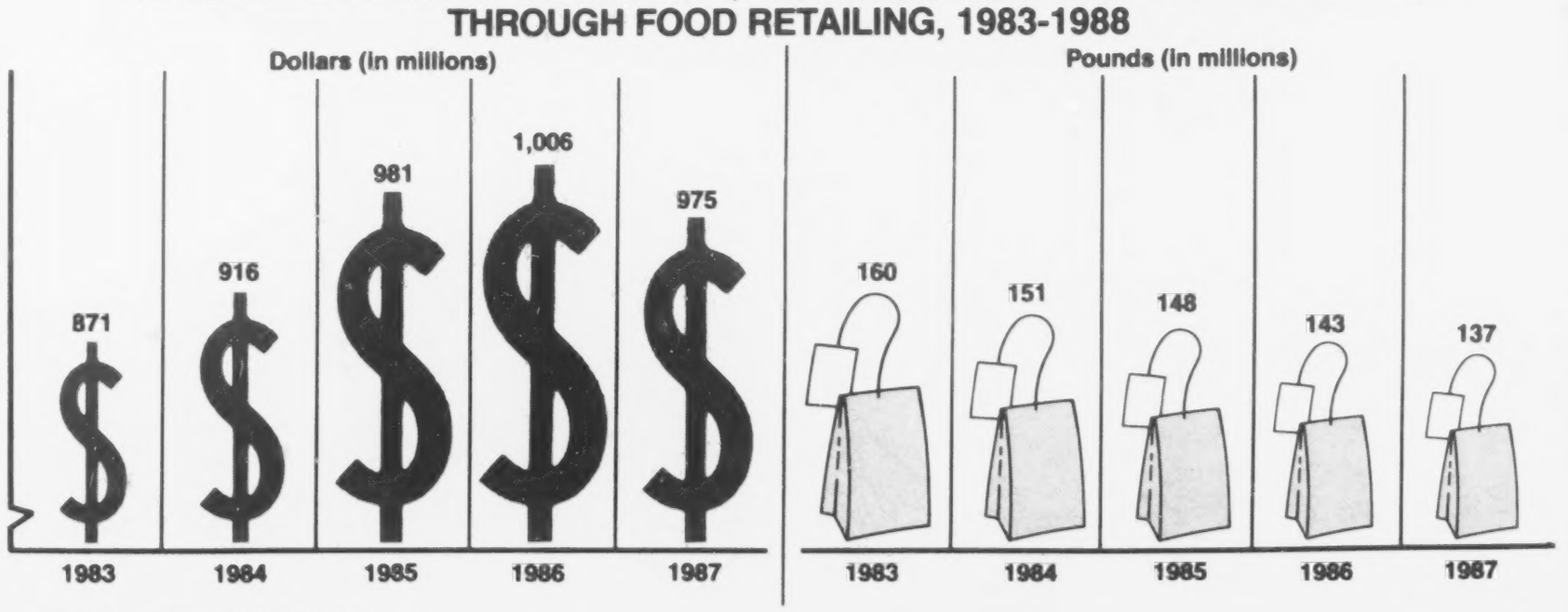
Although the Country Kitchen restaurants do approximately $17 million to $18 million in coffee business per year, the 251-unit operation does no advertising or promotion for its coffee.

"We don't promote coffee," observes Allan Post, Country Kitchen vice president of marketing. "We promote entrées and skillet breakfasts. Coffee is just a natural complement to that, and it sells itself naturally."

The Country Kitchen refill

*(See **COFFEE, TEA**, page F10)*

**CONSUMER SALES OF LOOSE TEA, TEA BAGS, ICED TEA AND INSTANT TEA THROUGH FOOD RETAILING, 1983-1988**




Source: Tea Association of the United States

# FOCUS COFFEE & TEA

## Coffee, tea stimulate sales

*(Continued from page F9)*

philosophy is different from Perkins' bottomless cup in that it focuses on personal service, rather than on self-service.

"We refrain from putting pots down on the table," Post says. "It eliminates much-needed customer contact and gives the server a reason not to check back at the table."

Although Dunkin' Donuts runs commercials throughout national markets for its doughnuts, like many operations, it does not advertise coffee despite its sizable contribution to total sales.

"Ironically, we're better known for our coffee than our doughnuts," notes Sid Feltenstein, marketing vice president for Dunkin' Donuts. "And that has come about through strictly word-of- mouth advertising."

Feltenstein credits the success of coffee sales at Dunkin' Donuts to the company's "always fresh" credo. Each unit fresh-grinds its custom-blended beans separately for each pot. Customers can also purchase the coffee in one-pound bags to take home.

"The coffee must be made fresh every 18 minutes," Feltenstein continues. "So, in theory, a Dunkin' Donuts customer is always served a fresh cup."

Although besieged by customer requests, the 1,100-unit Denny's does not offer its proprietary blended coffee for sales in pound bags despite the fact that 90 percent of the clientele order coffee.

"We're currently discussing the prospect of selling Denny's coffee for home use," muses Gayle DeBrosse, Denny's director of research and development. "We've also considered retailing our coffee mugs as well."

Denny's recently switched from a 6-ounce cup to a 7-ounce mug with the company logo emblazoned on the side.

The appealing doughnut-coffee pairing has spawned several "twinning programs'" between doughnut houses and convenience stores.

In Los Angeles, San Diego, and Kansas City, Mo., Winchell's has begun a "first doughnut" program with approximately 600 7-eleven stores where fresh doughnuts are supplied seven days a week.

Circle K has entered a merchandising agreement with selected Dunkin' Donuts outlets for a twice-a-day delivery.

"The doughnuts complement our coffee program perfectly," explains Ed Doyle, director of beverage programs for Circle K. "We offer 8-ounce, 12- ounce, 16-ounce, and 20-ounce cups for the self-service station, and now that we have doughnuts, that hikes sales even more."

For contract feeders the amount of coffee used is usually contingent on the venue of the food service.

"Coffee plays a relatively minor role in schools and colleges, because the majority of people usually do not develop a taste for coffee until their 20s," comments Alan Maxwell, vice president of Daka Foodservice Corp., which purchases almost 700,000 pounds of coffee a year.

"However, in health-care and nursing homes, coffee is a staple during meal service and not just afterward," Maxwell adds. "So coffee consumption is much higher with that type of contract."

Another coffee variety that has made an indelible imprint on the market is the specialty blend or gourmet coffee.

Espresso and cappuccino are slowly replacing the after-dinner drink, and foreign blends from exotic locations like Zimbabwe, Guatemala, or Kenya are flooding both restaurants and retail markets.

Although a pound of an imported blend can cost as much a nine dollars, some retail coffee operations sell as much as 1,000 pounds to 1,500 pounds a week to discriminating customers.

Industry estimates claim that sales of gourmet coffee have enjoyed an increase of 30 percent a year since 1987, with flavored and decaffeinated segments accounting for nearly half of that figure.

"Specialty coffees have really been the star of the industry lately," says Stephen Gregg of the Coffee Development Group. As a subsidiary of the London-based International Coffee Organization, the group institutes generic programs to promote and increase coffee consumption in the United States.

"While over the last 25 years we've seen a decrease in coffee consumption, the specialty coffees have really found a market niche in the America," Gregg notes.

At the 360-room Omni Royal Orleans hotel in New Orleans, lounge sales of six selected specialty coffees selling anywhere from $4.50 to $6.50 have nearly doubled during the past year.

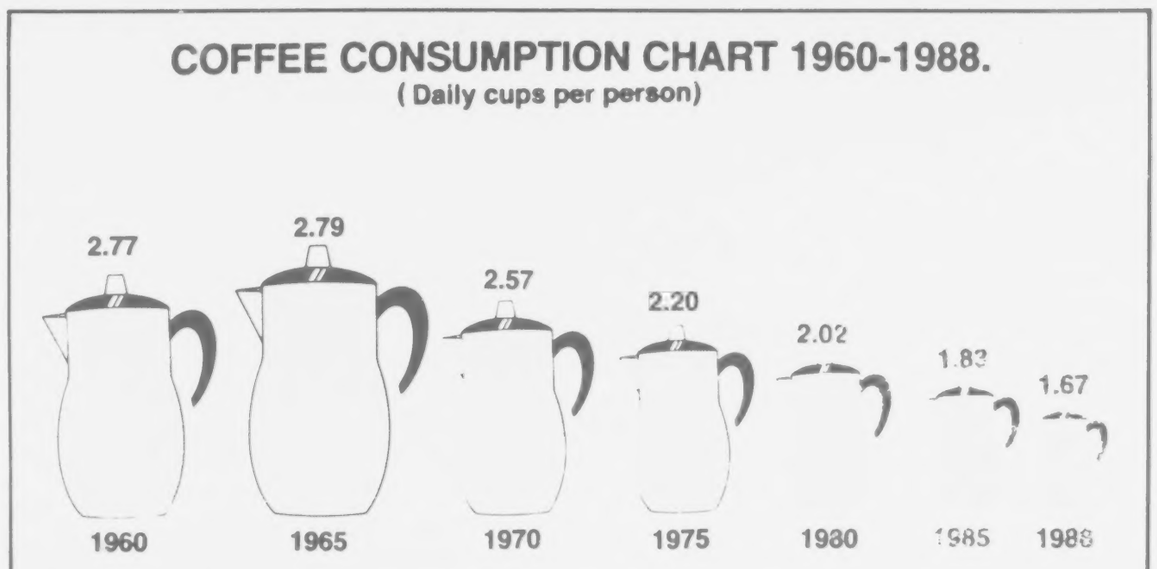
The Omni Royal Orleans house specialty, a concoction called "Brazilian Coffee," contains a shot of Tia Maria, a spoon of brown sugar, and a whipped-cream topping. Other offerings are flamed at the table.

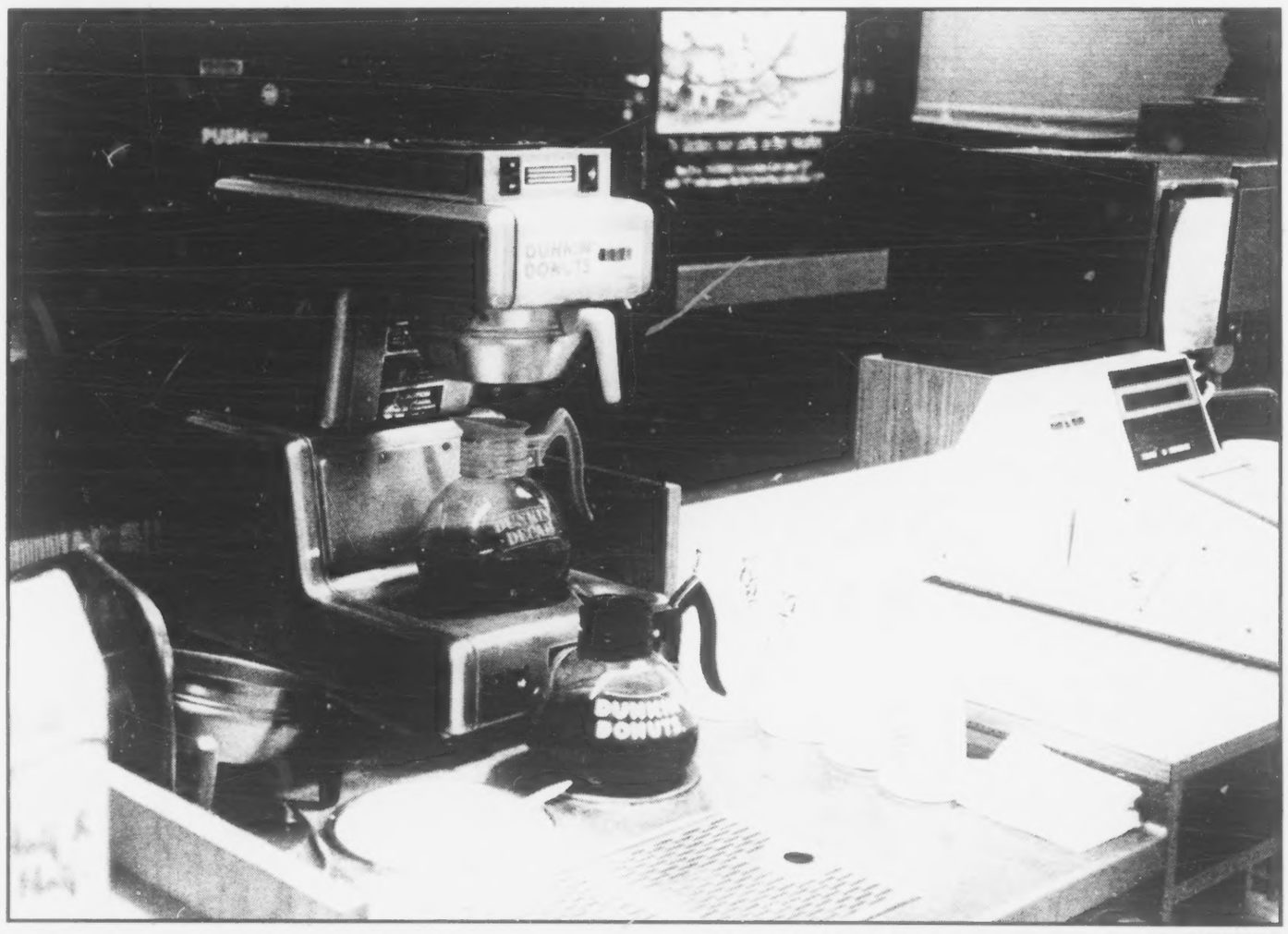
An accurate barometer of the growth of the specialty coffee segment is the estimated 10,000 specialty coffee retail stores in the United States.

"Coffee preference is primarily up to an individual's taste," says Russell Evelly, co-owner of the Coffee Grinder, a New York-based retail coffee shop. "You have to experiment until you find the perfect blend, if there is such a thing."

However, because people are concerned about the health aspects of caffeine, regular coffee consumption

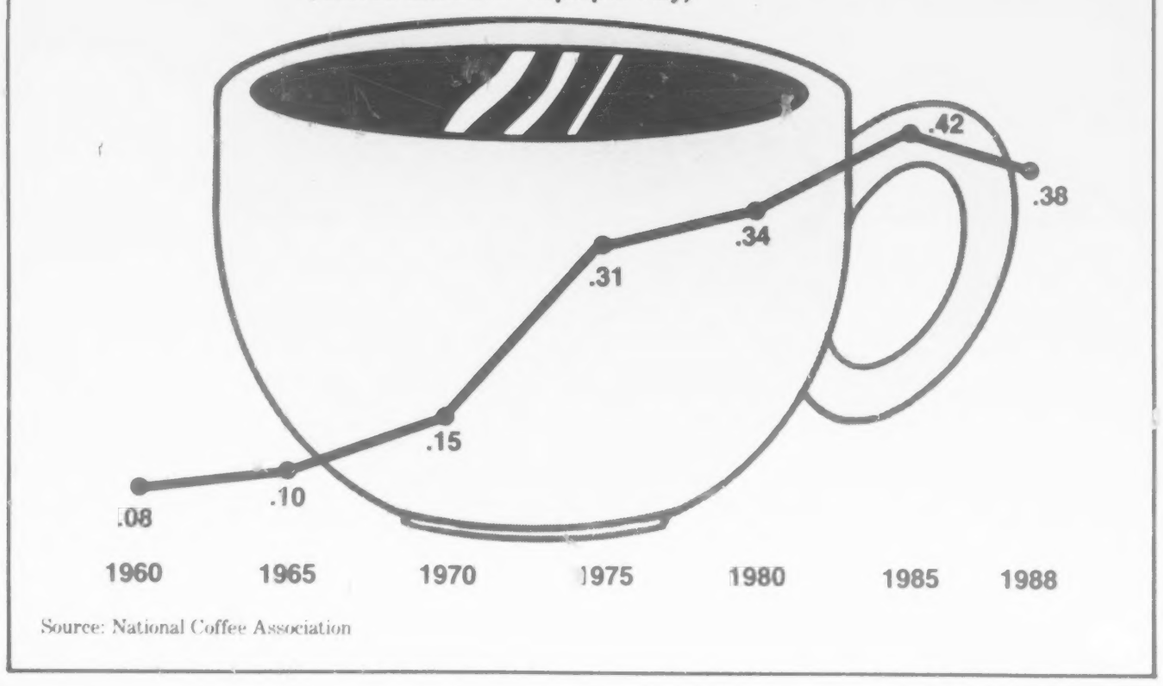
*(See **COFFEE, TEA**, page F12)*



NRN Photo

**A coffee station at Dunkin' Donuts at a Hartsdale, N.Y., unit.**




*Feltenstein credits the success of coffee sales at Dunkin' Donuts to the company's 'always fresh' credo. Each unit fresh-grinds its custom-blended beans separately for each pot. Customers can also purchase the coffee in one-pound bags to take home.*

# FOCUS | COFFEE & TEA

## Coffee, tea stimulate sales

*(Continued from page F10)*

has declined nearly 25 percent since 1962. In fact, coffee is now running second to soft drinks, which are consumed by 55 percent of the population.

While regular coffee sales have dipped, sales of decaffeinated coffee have risen so that it is a formidable part of the overall coffee segment. Today decaffeinated coffee accounts for nearly 16 percent of the coffee drinking public compared with just 4 percent in 1962.

"We have implemented a fresh-brewed program for our decaffeinated coffee as well," says Roger Williams, vice president of marketing for Bob Evans Farms. "Decaffeinated accounts for nearly 10 percent of our total coffee sales.

Dunkin' Donuts instituted a fresh-brewed decaffeinated blend two years ago, as did Minneapolis-based Country Kitchens. Circle K is currently conducting a 40-store testing program of brewed decaffeinated coffee in Tampa, Fla.

While coffee traditionally has its own market niche in any restaurant or food-service operation, tea sales in the United States have quietly become a $1 billion industry. Once the mainstay of the upper class in Europe, particularly in England, tea has labored to shed its prima-donna connotation. Today the product is experiencing a renaissance of sorts, having captured the palates of the American business people.

More than 350 hotels throughout the country currently offer an afternoon executive tea service.

With increasing frequency, executives are seeking alternatives to circumvent the cocktail hour and are conducting business meetings over an Americanized version of the ritualistic 4 p.m. English high tea.

"Hotels in particular saw the profitability of tea time during the late- afternoon time slot," explains a vice president of marketing for a major tea supplier. "Before the tea service employees were usually just standing around folding napkins during that time."

Traditionally set in a relaxed atmosphere, a hotel tea service is often accompanied by finger sandwiches, scones, and pastries, while upscale teas like Djareeling, Earl Grey, and oolong are prominently displayed in a carved wooden chest.

At Atlanta's posh Four Seasons Buckhead hotel, the upscale Cafe Bar has offered executive tea service since the hotel opened five years ago.

Seven days a week, 365 days a year, customers have a choice between a $10.75-per-person "full tea" package, complete with a teapot, a choice of four sandwiches, scones, and miniature fruit tarts served on Wedgewood China, or the "light tea," an abbreviated version of the full tea for $7.

According to the Four Seasons food and beverage manager, the executive tea averages approximately 30 covers a day.

One of the pioneer hotels to institute executive tea was the New York-based Helmsley Palace. The four-star establishment implemented afternoon tea eight years ago and averages anywhere from 80 to 150 covers on a daily basis. For $18.50 a head, each customer receives his or her choice of tea, five varieties of finger sandwiches, scones, and miniature pastries. A harpist provides a soothing instrumental background.

One of the hotels to leap on the executive tea bandwagon in recent months is the 106-year-old Cincinnatian Hotel. Featuring a three-course executive tea offering the standard finger sandwiches, scones, and miniature pastries, the Cincinnatian tea service is priced at a modest $9.95 — approximately $3 below the national average.

According to Jerome Gerrese, Cincinnatian director of food and beverage, the early results have far exceeded initial expectations.

"Even though we've had the tea service for a short while, the success has been phenomenal," he says. "We've had to expand the tea service to Saturday because of the demand."

Gerrese says that once a month the Cincinnatian promotes a "literary tea," in which prominent local writers and poets are guests and read from their works.

To generate future tea service clientele, Gerrese says, the hotel runs ads in the business and living sections of the Cincinnati papers.

While the executive tea appears to have renewed life, the sales of ice tea have evolved beyond the hot-weather stereotype and now represent 80 percent of all retail tea volume.

"Iced tea outsells hot tea in our restaurants by a margin of two to one," notes Williams of Bob Evans Farms. "While most places offer the free refills with coffee and hot tea, we do it with iced tea, too."

Perkins Restaurants expanded its trademarked bottomless cup to include tea as well, while the ice-tea sales for the Sunbelt-based Circle K outdistance those for hot tea by a 4-to-1 margin.

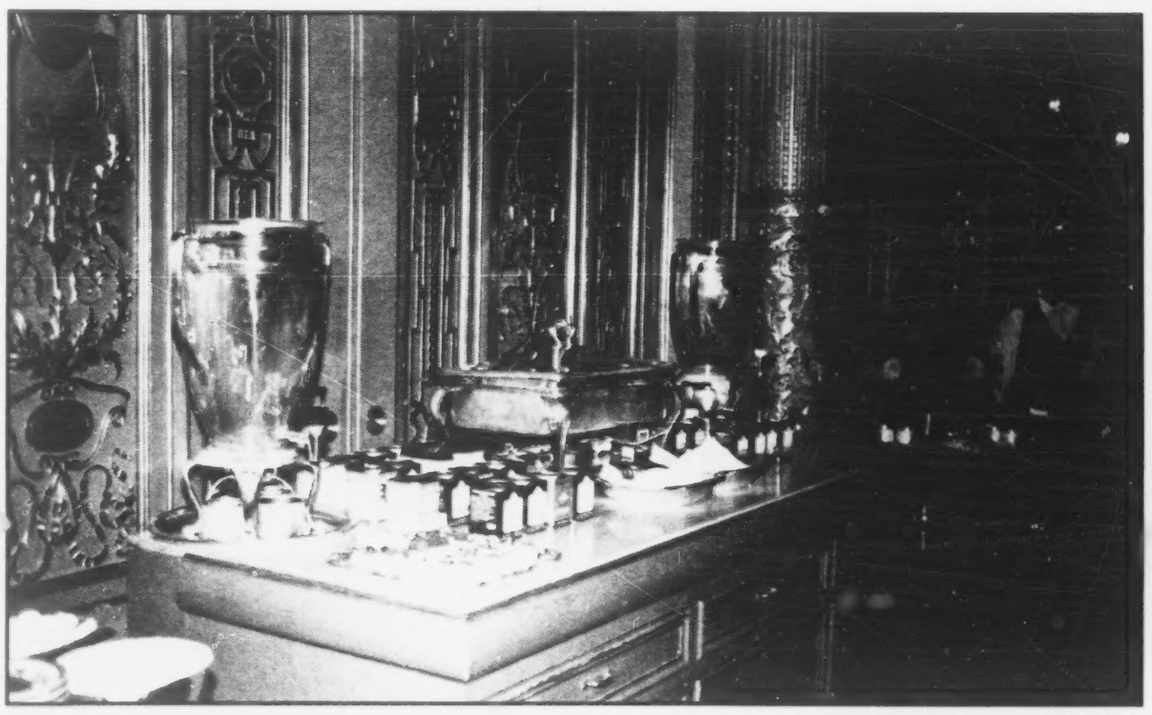
Don Wiederecht, executive director of the National Tea Council, says that the increase in overall tea consumption is not due to an influx of people who have switched from coffee.

In 75 percent of the American market, coffee is not a competitor of tea," he explains. "Tea's increasing market competition comes from bottled waters, soda, and even wine coolers."

Wiederecht reports that away-from home tea consumption has increased more than 15 percent since 1980:

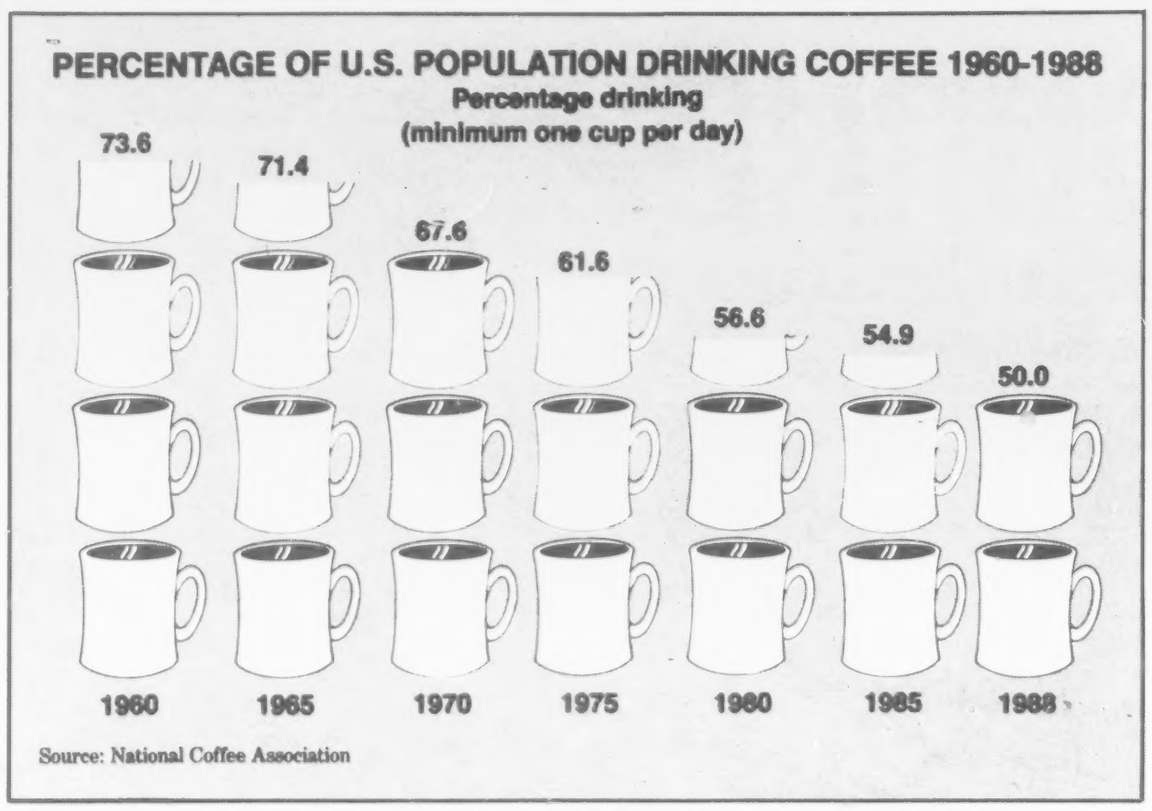
"Americans have slowly shifted away from the piping-hot cups of hot tea and coffee. With a wave of commercials for Pepsi and Coca-Cola, consumers just seem to be adding ice to everything. That's why ice tea has made such an impact in recent years."

**The coffee urn is a central part of the Circle K lunch counter.**



NRN Photo

**Side view of a tea station at a Helmsley Palace Tea Service in N.Y.**




Source: National Coffee Association

*'We're trying to convince the baby boomers just how flexible coffee is. It can be consumed any time of the day, not just at seven o'clock in the morning. And it can be served either hot or cold,' said Verney.*

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NEWSPAPER

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Richard Berman/Page 51

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Nation's
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## Chili's drops Taco Cabana and Flyer's
### *To renew focus on full service*

**By Peter J. Romeo**

DALLAS — Although Chili's is intensifying its drive to diversify, the dinner-house chain has confirmed that neither of its first two sideline ventures, Taco Cabana and Flyer's Island Express, remain part of the plan.

The company said it would forgo rights granted under a joint-venture agreement with Taco Cabana to develop units of the Mexican cafe chain outside of Texas. Chili's has opened only three of the 20 stores it planned to develop by 1990 under the accord, which was signed about 15 months ago.

**Focus on Chili's coming Dec. 19 in NRN**

"They want to grow quicker than we do," said Norman Brinker, Chili's chairman.

Meanwhile, Chili's has spun off three of its six Flyer's units. The company had originally eyed the scaled-down burger-and-chicken concept as a possible means of entering the fast-growing drive-thru-only market.

"We've learned from that experience that our niche, our abilities, are in operating full-service, sit-down restaurants," Brinker said. "There will be other concepts, but we'll probably look at a sister or cousin within the full-service market."

The company is seeking to arm

*(See **CHILI'S**, page 66)*

**Residents socialize during dinner at The Breakers, a private apartment building for senior citizens.**

## *Dynamic fare flavors retirement centers*

**By Carolyn Walkup**

CHICAGO — A new style of retirement center dining is dispelling images of uninspiring institutional food held in steam tables and served in gloomy cafeterias.

Operators are using fine dining elements — white tablecloths, lavish decorations, piano music, and scenic views — to brighten the food scene at such places as the Breakers, a private retirement community of high-rise apartments for self-sufficient senior citizens.

The new style of retirement center dining is often the highlight of the day for the residents, who voluntarily dress in their finest clothes for dinner.

"The dining room is part of their home with the elegance of a fine restaurant," said Karen Kozlowski, director of marketing for The Breakers at Edgewater

*(See **RETIREMENT**, page 4)*

## Take-and-bake slices new niche
### *Bake-at-home pizza faces huge demand, competition*

**By Alan Liddle**

The decade-old take-and-bake pizza segment is suffering from growing pains as it stretches to satisfy escalating consumer demands for both convenience and value.

The take-and-bake niche, in which operators prepare pizzas to order for customers to bake at home, is growing quickly as low start-up costs and the convenience boom attract more and more players. Since kitchen equipment, exhaust systems, and seating are unnecessary, take-and-bake pizzas can be sold for 20 percent to 40 percent less than pizzeria products.

Although many take-and-bake operators express optimism about the future, several serve as a reminder that growth can be costly.

Today take-and-bake chains, which have a high-acceptance among value-conscious patrons, stretch from Florida to California.

Food-service veterans that have gotten into the segment include former TGI Friday's chief Daniel Scoggin, co-founder of three-unit Juliano's Pizza Jubilee in Richardson,

*(See **TAKE-AND-BAKE**, page 66)*

## FOOD WATCH

### *Oysters on the half-shell*

CHICAGO — Shaw's Crab House is reviving an old Chicago tradition of eating oysters on the half-shell.

Shaw's, owned by Lettuce Entertain You Enterprises, is featuring four to six kinds of oysters daily until next spring. They are flown in three times weekly from the coasts.

The choices include Cockenoe from Norwalk, Conn., and Pacific, European Flat, and Olympia, all from Shelton, Wash.

"Oysters on the half-shell are one of today's most dynamic dining trends," he said.

**— Carolyn Walkup**

## Hotel/Motel show offers high-tech labor solutions
### *Robotics, computers touted as wave of future*

**By Ken Frydman**

NEW YORK — High technology is filling the void created by the labor shortage, according to speakers and attendees at the 73rd annual International Hotel/Motel & Restaurant Show in Jacob K. Javits Convention Center here.

Frank Heavlin, director of resort food and beverage for the Walt Disney World Co., is working on high-tech solutions for the labor crisis — computers and robotics.

"There's a tremendous amount of technology available today, but it's a matter of affordability and interacting machines with the human factor," Heavlin said.

Food and beverage sales currently account for 40 percent of Walt Disney resorts' $800 million in total revenue, according to Heavlin. And after two new theme parks open in Orlando's Walt Disney World next year and the Paris Walt Disney World bows in 1992 with a 5,000-room hotel, the company's food and beverage business will assume an even larger role.

"We have to educate unqualified entry level and hourly people by retooling the masses for high-technology jobs," Heavlin said. "The meat slicer has to be trained for a better job because he's going to be replaced by a robot."

Michael R. Nowlis, deputy director of the Cornell University School of Hotel Administration Institut de Management Hotelier International in Paris, also sees the food-service and hospitality high-tech evolution as an outgrowth of the labor shortage.

"The lack of available human beings is creating the need for technology like automated dish washers, computerized beverage dispensers, and prerecorded ordering machines," Nowlis said. McDon-

*(See **HOTEL/MOTEL**, page 4)*

**CHARLES BERNSTEIN ON THE ST. LOUIS COUNCIL: 'DON'T MEET ME HERE'**

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Vol. 22, No. 48 Nov. 28, 1988

## NEWS DIGEST

### Kettle execs propose LBO to thwart bidders

HOUSTON — Executives of Kettle Restaurants have offered to buy the 200-unit coffee-shop chain in an effort to thwart a takeover attempt by investors allied with a group of dissident shareholders.

The group, which already controls 37 percent of Kettle's outstanding shares, banded together after a bid was tendered by Kettle Acquisition Corp., a newly formed Florida concern owned by Benson/Landberg Associates and a subsidiary of Corporate Investment Co. of Pennsylvania.

The management group has bid $6 cash per share, compared with Kettle Acquisition's cash-and-stock offer, which was valued at about $7.

### Little Caesars' founder tries new pizza concept

FARMINGTON HILLS, Mich. — Michael Ilitch, founder and chairman of Little Caesar Enterprises, plans to open an upscale pizza restaurant with Carl Oshinsky, the chef who hosts a television program called "Pizza Gourmet."

The partners' new corporation, Mica Inc., will open a 90-seat test unit next spring in West Bloomfield, Mich., an upscale Detroit suburb, Oshinsky said. The new company is not affiliated with Little Caesar.

The restaurant, as yet unnamed, will sell specialty pizzas, such as crawfish and Greek, pastas, and sandwiches, including poor boys and muffalettas, on house-made breads. "We're calling it casual Italian cuisine," Oshinsky said.

### H&H negotiates deal with Riese brothers

NEW YORK — Horn & Hardart Co., having decided to sell a portion of its real-estate holdings here, said it is negotiating exclusively with Automatic Partners, a shareholding partnership that includes developer-restaurateurs Irving and Murray Riese.

The property Horn & Hardart identified for sale is valued at about $65 million, and the company operates franchised restaurants on five of the parcels.

Horn & Hardart also said Automatic Partners, which holds 6.9 percent of outstanding stock, had agreed not to acquire additional shares or foment a change in control of the company during negotiations and for a 30-day period thereafter.

### Arras succeeds Smith as president of Perkins

MEMPHIS, Tenn. — Donald N. Smith has relinquished the presidency of Perkins Family Restaurants to Richard K. Arras, a longtime veteran of the chain who previously served as vice president of operations.

The move will enable Smith to focus more intensely on reviving Friendly, the coffee-shop chain that was recently purchased by Perkins' parent concern, Tennessee Restaurant Corp. He remains chairman of both Perkins and Friendly.

In a related change at Perkins, Dan G. Esmond has stepped up to executive vice president of operations, a post recently vacated by the resignation of Leon Irons. Arras formerly reported to Irons, who was an original member of the management team Smith installed at Perkins shortly after assuming control of the chain.

### Wayne Jones named prexy of Big Boy licensee

MILWAUKEE — Wayne Jones, formerly senior vice president of marketing for Chi-Chi's, has been hired as president of Marc's Big Boy, a franchisee here of the Big Boy coffee-shop chain.

The post had been vacant for three years.

Jones left Chi-Chi's after selling his interest in the Mexican chain during its acquisition by Foodmaker. Previously, he was president of General Mills' now-defunct Casa Gallardo chain and spent 10 years with Kentucky Fried Chicken.

## *BK licensees publicly reject spin-off plan*

MIAMI — Pillsbury's attempt to woo Burger King franchisees into its anti-takeover camp has backfired miserably, spurring licensees to publicly reject the conglomerate's plan to spin off the hamburger chain as a separate, highly leveraged company.

The franchisees broke with their franchisor despite Pillsbury's attempt to improve relations by naming C. Ronald Petty, an experienced food-service executive, as Burger King's new president. Licensees had complained about the chain's being run by Jerry Levin, a longtime Pillsbury executive with negligible restaurant experience.

Levin retains the post of Burger King chairman, a job he assumed when president Charles Olcott resigned under pressure in the early fall. The presidency had been vacant since that time.

The franchisees' opposition could derail Pillsbury's plans to borrow $1 billion against the chain to pay shareholders cash and stock worth more than the $60 they would receive by selling their shares to Grand Metropolitan PLC of London.

Pillsbury has acknowledged that the franchisees at least could stall the spin-off, which was scheduled for Dec. 2. The delay would give Grand Met more time to buy Pillsbury stock and increase its leverage against the company's anti-takeover defense.

Grand Met said that Pillsbury shareholders have already tendered 85 percent of total shares outstanding.

Burger King's franchisee association, the National Businesss Planning Council, assailed the spin-off plan because it would load the troubled chain with debt. Repayments would stymie plans to renovate units and bolster marketing programs, the operators charged in a letter to Pillsbury chairman Philip Smith.

The dispatch was sent several days after Pillsbury executives met with council representatives here to discuss the divestiture plan. Details of the proposal had not been disclosed until that time. The letter apparently did not mention the promotion of Petty, who had served as president of Burger King's domestic division since Olcott's resignation. Previously, he headed Burger King International.

Grand Met convened a meeting with Burger King franchisees at about the same time that the Business Planning Council was negotiating with Pillsbury executives in Miami.

### Arizona 206's Walsh plans to venture out on his own

NEW YORK — Chef Brendan Walsh is leaving the kitchens of Arizona 206, a much-praised bastion of Southwestern cuisine here, to pursue the development of his own restaurant.

He will be replaced at the popular East Side restaurant in mid-December by Marilyn Frobuccino, who previously cooked at Sam's Cafe and Arcadia.

### Former NRA president Eure dies of cancer at 56

RALEIGH, N.C. — Thad Eure Jr., a leading figure in the food-service industry for about 20 years, has died of pancreatic cancer. He was 56.

Eure was a leading figure in both the National Restaurant Association and the North Carolina chapter. He was also president of the Educational Foundation of the NRA.

He was also known for his restaurants, especially the Angus Barn, a huge dinner house here. In recent years he founded a fast-food concept called Fat Daddy's. In the 1970s he launched Darryl's, one of the industry's first casual-theme restaurants.

# FOCUS | VIEWPOINT

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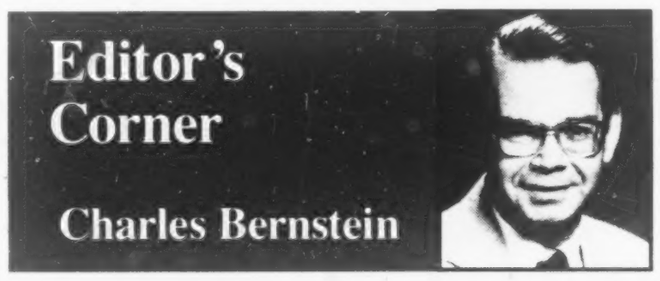
# St. Louis Council: 'don't meet me here'

"Meet me in St. Louis" seems to be a bad idea for restaurateurs these days, as some of the most misguided, oppressive, and discriminatory legislation ever created is being aimed squarely at the restaurant industry.

Maybe the fact that the legislation is being exposed through the columns of this newspaper will be a vast benefit. Other cities, states, and the federal government have already passed or drafted all types of regulations that cut into the free-enterprise system and make life miserable for restaurateurs. Perhaps the warning signals emanating from St. Louis will alert food-service operators around the country to the need for opposing such legislation.




While at a recent national conference in the Marriott Pavilion Hotel overlooking St. Louis' Busch Stadium, we discovered some amazing things. First, the City Council is trying to enact a 10 p.m. curfew on restaurants within 100 feet of any residential area. This regulation does not apply to restaurants with liquor licenses and thereby is preposterous, since it suggests that customers should not be eating food past 10 p.m. but can be drinking until the normal 3 a.m. curfew.

We learned that another unbelievable regulation was actually nearing passage to force fast feeders and coffee shops to close by midnight. The apparent intent was to cut late-night noise by restricting the hours, but again this seems misdirected.

One councilman explained that the purpose was simply to overcome a "loitering menace" as well as to attack a "noise problem." Implicit in the legislation is the idea that with the downtown area greatly upgraded, the city wants to restrict the development of fast feeders, which some people maintain do not fit into its plans.

Such thinking favors higher-priced, more elegant restaurants but does not in any sense help the multitude of customers who are looking for a better price-value and by no means a fancy meal.

It is far better to let free enterprise prevail than to cut off the livelihood of some fast feeders and many coffee shops that desperately depend on late-night or all-night hours to generate maximum sales. Such places represent the true bread-and-butter basics of the restaurant industry.

While some people may not appreciate these late-night openings, others have every right to obtain a snack or a meal any time after 10 p.m. wherever a restaurant wants to be open. It is up to the marketplace to decide these matters, not the city.

These regulations actually would have already passed except for the vigilance of the Missouri Restaurant Association and a few National Restaurant Association officials who intervened upon learning of the dimensions of the threats. Leaders strode over to City Hall and succeeded in at least temporarily blocking the regulations.

But we found that the proposed ordinances are still on the docket and well may be passed, although not without a bitter battle. The specter of enforced closings, if allowed to occur in one major city, is a menace to all restaurateurs.

This is blatant discrimination of the worst type, and it would not surprise us if the legislation is politically directed by forces favoring those restaurants serving liquor — often higher-end or upscale places. Fast feeders and coffee shops, which rarely serve liquor, would merely be the victims of the law.

The St. Louis plans are an outrage not only against food-service operations but also against consumers. The proposals attempt to extend blatant regulatory authority over non-liquor restaurants, although such authority has been exercised only over those with liquor licenses — and then mainly in matters relating to liquor.

We trust that operators locally and nationally will vehemently protest the St. Louis regulations, which pose a threat to the entire country. We also trust that associations and restaurateurs in each state and city will become more vigilant in anticipating these discriminatory moves and blocking them before they get off the ground.

## *LETTERS*

### *Emphasis on managers key to employee retention*

Editor, NRN:

It was an extremely pleasant surprise for all of us at McGuffey's to see your follow-up Editor's Corner column Oct. 17, 1988, based on the Sept. 19 article written by your Southeast Editor, Jack Hayes. Your comments and insights regarding the issue of labor turnover are truly appreciated by those of us in the industry who understand the commitment involved in attracting and retaining excellent people in our organizations.

The emphasis of managers must continue to change toward creating an environment whereby employees are nurtured, listened to, and made to feel that they are an important part of the organization's mission.

I feel compelled at this time to qualify McGuffey's ideals and philosophy with regard to managing people for success (both ours as well as theirs) by offering up some hard facts that prove it's working. Since we started implementing our ideas two years ago, McGuffey's company-wide sales have increased by more than 20 percent, and bottom-line profits have realized an overall increase of 40 percent. The most obvious contributing factor in all of this was the reduction of labor turnover from 220 percent down to 457 percent over a two-year period.

Many people in McGuffey's were involved in and committed to achieving this company goal of reducing labor turnover, and our sincere thanks for a job well done are extended to those managers and employees who believed in us when we told them what we wanted to achieve. But one person in particular (who was not mentioned in the Sept. 19 article) deserves a very special thanks from president Keith Dunn and me.

That person is Richard Laibson, vice president of operations and co-owner. His abilities, strength of character, and encouragement of others was most certainly a driving force behind everyone's efforts to succeed in delivering the outstanding results of lower turnover in McGuffey's.

If any of us in the restaurant industry want to see our future blossom in the 1990s and beyond, the focus of our attention, energy, and commitment must be on the people who hold the responsibility of representing our products and services in the manner intended. For this to occur, industry leaders will have to be open to new ways of thinking and new approaches to managing.

If there is any industry that is ripe for this challenge, it is ours.
Best of luck!

**—Michael D. Brandson**
*vice president of Human Resources*
McGuffey's Restaurants Inc.
Ashville, N.C.

### *Trends and publicity do not a restaurant make*

Editor, NRN:

Thank you for your Sept. 5 Editor's Corner, "Golden oldies: Tradition wins the fray." After all is said and done, it is good to hear a sober and professional voice which tells us that trend and publicity do not a restaurant make.

The dining public should never be underestimated and in the long run will stay only with those operators that deliver, not promise.

**—Paul Kovi**
**Tom Margittai**
*co-owners*
The Four Seasons
New York

### *DC MUFSO conference a learning experience*

Editor, NRN:

I'd like very much to thank you for the great learning experience you gave me at the MUFSO Conference.

I have never attended a conference before in which, as at this one, whenever a speaker finished, the following speaker was better.

You gentlemen and your staffs are to be congratulated for an outstanding performance. I hope in the future you will continue to create many more informative MUFSO Conferences.

**— Michael D. Ostas**
House of Chimichangas
El Matador
Holland, Ohio

*Letters may be sent to the editor, Nation's Restaurant News, 425 Park Ave., New York, NY 10022.*

**More letters appear on page F8**

MARKETING

# Mac Tonight encore livens McD awareness

## *Fast feeder climbs 3 points in NRN poll*

By Bill Carlino

LINCOLN, Neb. — McDonald's climbed three percentage points in the Nation's Restaurant News Adtrack Poll last month on the heels of a sluggish September, when its fall advertising campaign stirred minimal increases in top-of-mind awareness.

NRN Adtrack

The hamburger giant rode the successful reintroduction of the popular piano-playing Mac Tonight character during its prime-time ad flurries and captured a 51 percent consumer rating. In September the company had registered a nominal 1-percent increase from the figure for the August survey.

Officials of McDonald's declined to make any comment on the consumer-awareness increase.

Burger King advertising effectiveness remained stagnant, having dropped a full percentage point in the October survey after remaining at 14-percent recall for two consecutive months.

The 6,500-unit chain, currently embroiled in parent Pillsbury's planned spin-off, received a lukewarm consumer reception to a long-awaited TV campaign.

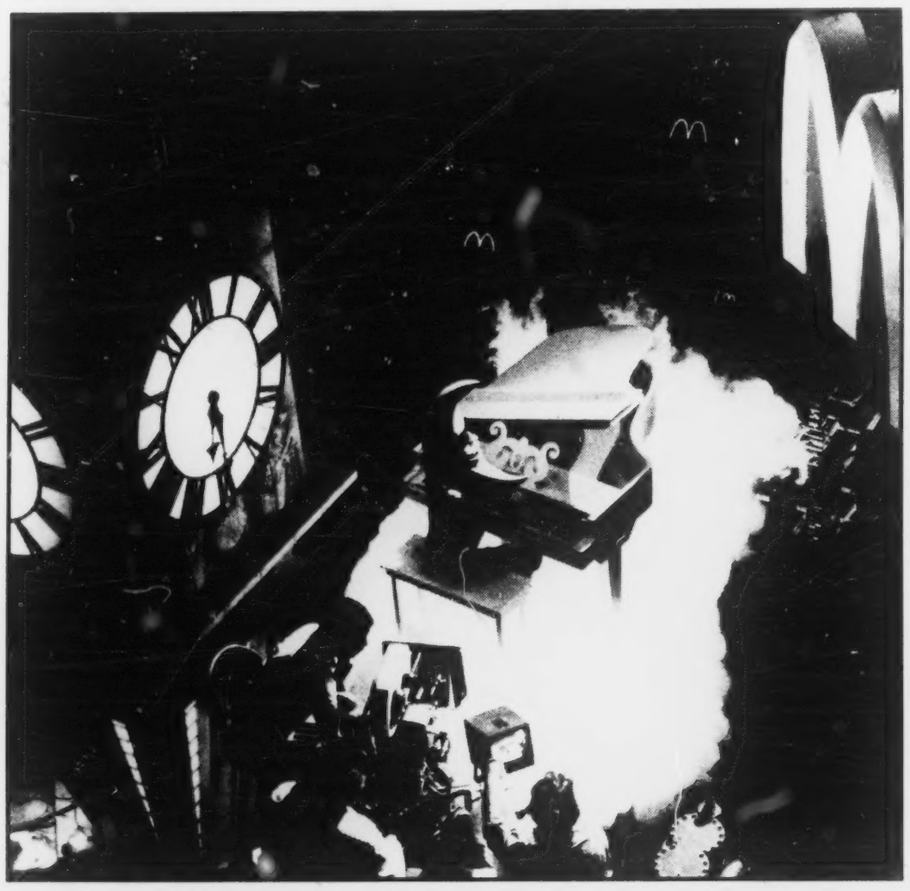
In the NRN poll, SRI Research Center Inc., which is based here, asked a representative sample of 1,000 consumers across the country to answer this question: "Of all the fast-food advertising that you have read, seen or heard in the last month, which advertising first comes to mind ?"

Wendy's continued its monthly roller-coaster consumer awareness showing with its third consecutive two-point change. The chain, which is based in Dublin, Ohio, dipped two percentage points to capture 7 percent of those surveyed.

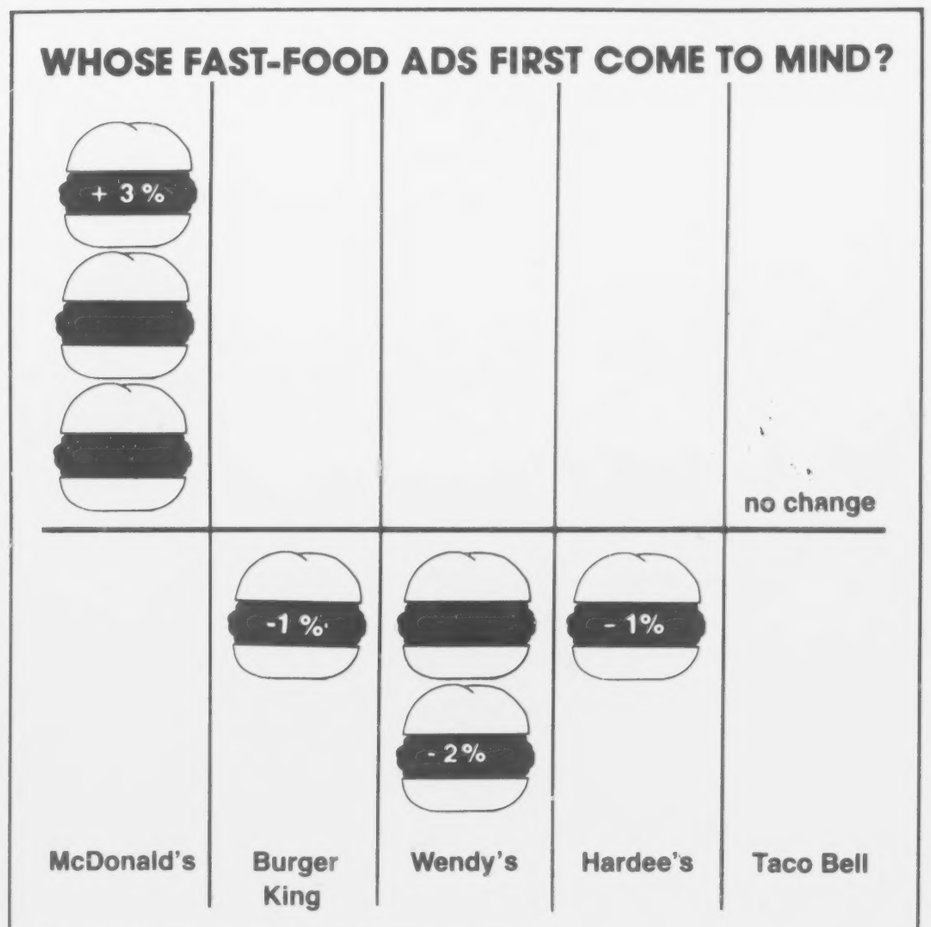
Wendy's October awareness showing follows a two-point increase in the September poll and a two-point slide during August.

Four percent of polled consumers recalled Hardee's fast-food advertising, a one point drop from the previous month, while Pizza Hut climbed one point and got a 2-percent recall score.

Kentucky Fried Chicken, which scored a 1-percent consumer awareness mark in September's SRI survey, fell to a zero recall mark this month.

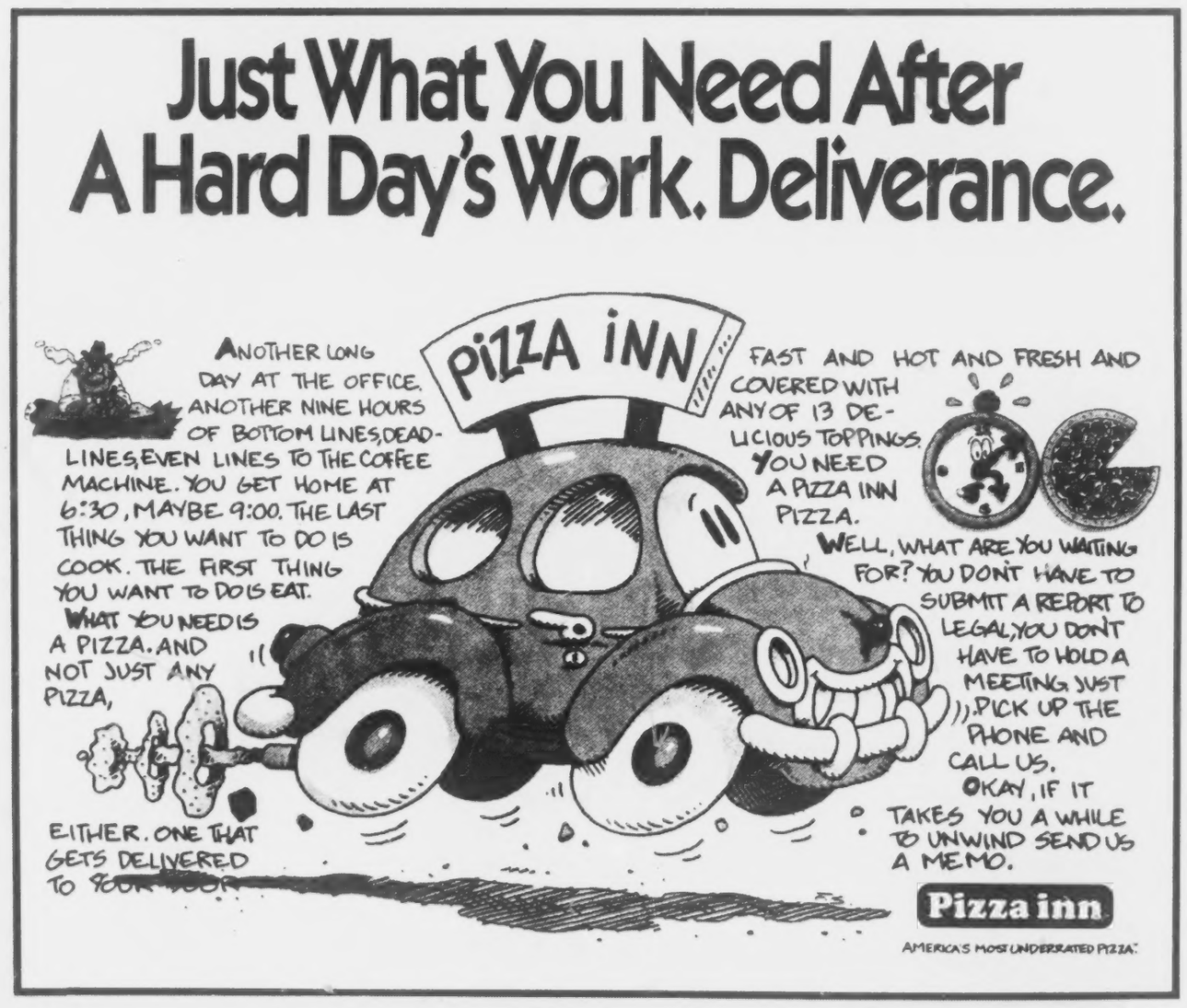


**McDonald's films a Mac Tonight commercial.**




Source: NRN Adtrack, SRI Research Center, Lincoln, Neb.

AD WATCH


Just What You Need After A Hard Day's Work. Deliverance.
PIZZA INN
ANOTHER LONG DAY AT THE OFFICE. ANOTHER NINE HOURS OF BOTTOM LINES, DEAD-LINES, EVEN LINES TO THE COFFEE MACHINE. YOU GET HOME AT 6:30, MAYBE 9:00. THE LAST THING YOU WANT TO DO IS COOK. THE FIRST THING YOU WANT TO DO IS EAT.
WHAT YOU NEED IS A PIZZA. AND NOT JUST ANY PIZZA,
EITHER. ONE THAT GETS DELIVERED TO YOUR DOOR.
FAST AND HOT AND FRESH AND COVERED WITH ANY OF 13 DE-LICIOUS TOPPINGS. YOU NEED A PIZZA INN PIZZA.
WELL, WHAT ARE YOU WAITING FOR? YOU DON'T HAVE TO SUBMIT A REPORT TO LEGAL, YOU DON'T HAVE TO HOLD A MEETING. JUST PICK UP THE PHONE AND CALL US.
OKAY, IF IT TAKES YOU A WHILE TO UNWIND SEND US A MEMO.
Pizza inn
AMERICA'S MOST UNDERRATED PIZZA.

**HI-OCTANE PIZZA: This illustrated ad urges consumers to take advantage of Pizza Inn's delivery service after a tough day at the office. The promotion, complete with discount coupons, appeared in circulars throughout the Houston area.**

*"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

NRN MARKETING DIGEST

## Red Lobster launches new promo

ORLANDO, Fla. — Red Lobster, the nation's largest seafood dinner-house chain, is launching a new dinner promotion featuring several specially priced shrimp and lobster platters.

Advertising is scheduled to debut this week. Prices range from $7.95 to $14.95. At the low end is an 'I Love Shrimp Platter' consisting of 10 grilled shrimp, four fried, four sautéed with lemon and peppers, and a 3.5-ounce portion of "Cajun popcorn" shrimp.

At the top of the line is the Lobster Trio, consisting of a broiled langostino, a fried slipper lobster, and a broiled rock-lobster tail.

## Arby's rolls candy cane swirl

ATLANTA — With the holidays rapidly approaching, Arby's is set to roll out its "Candy Cane Polar Swirl," a vanilla shake combined with crushed peppermint candy. Served in a 16-ounce plastic cup, the holiday version of the chain's popular frozen dessert item will be available during December at all participating Arby's restaurants.

## Chicago Hilton offers wild game

CHICAGO — In conjunction with the fall hunting season, the Chicago Hilton and Towers implemented a wild-game menu promotion in its Buckingham's restaurant.

Grilled venison sausage with black pepper linguine, terrine of pheasant, and petite marmite wild-game soup with vegetables and quail eggs were among the appetizer selections, while Buckingham's wild-game entrées included roasted quail or venison, saddle of domestic rabbit, and ballotine of pheasant.

## Pizza Huts, JC Penney team up

HOUSTON — Pizza Hut restaurants here will team up with J.C. Penney in a merchandising tie-in to the new George Lucas and Steven Spielberg animated film "The Land Before Time."

Pizza Hut is sponsoring dinosaur-themed coloring contests as well as offering discount coupons on food, which will also be available at the department store. J.C. Penney is offering various dinosaur-themed merchandise items, including bed linens and children's clothing.

NEWSPAPER

**Corporate catering feeds execs, clients**

Focus section follows page 26

**Hofmeister to head LA culinary school**

Richard Martin/Page 62

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NRN Photo

**Tour organizer-chef John Folse, second from left, shakes hands with chef Andrei Malygin of Moscow's Hotel Soyuz. Also pictured, from left, are Century Plaza chef Raimund Hofmeister and Soviet chefs Natalia Tokareva and Michael Vydysh.**

# *In the spirit of Glasnost: Soviet chefs tour America*

**By Richard Martin**

LOS ANGELES — Soviet trade officials leading a delegation of Moscow chefs on a first-of-its-kind tour of the United States concluded the 10-day visit by serving up a second helping of culinary *glasnost*.

After munching their way across the country and sampling Cajun recipes, Big Macs, and venison tacos, the officials toasted a reciprocal agreement to host a group of American chefs in the Soviet Union next July.

The contingent will comprise officials of the American Culinary Federation, including president Jack Braun and Louisiana chef-restaurateur John Folse, who organized the Soviets' U.S. tour.

Folse initiated the culinary exchange

*(See **SOVIET**, page 4)*

# Early-bird specials lure in new traffic

## *Operators turn off-hours into profits*

**By Carolyn Walkup**

An increasing number of savvy operators across the country are making profitable use of restaurant downtime by offering "early-bird specials."

While the early, discounted dinners are marketed in different ways to different audiences, all prove appealing to a variety of people who don't want to cook and whose schedules allow dining before peak dinner times.

Although early-bird dinners are nothing new, they are "a trend that has endured," according to Manny Mighdoll, executive vice president of the Florida Restaurant Association. He said he has seen an upturn in the trend as competition has intensified.

"People [operators] are exploring more ways to take advantage of every marketing opportunity," Mighdoll said. Because early-bird dinners are so widespread in Florida, largely owing to that state's high percentage of tourists and older winter residents, his association currently is surveying which members use early birds.

One Florida restaurant that just started offering such discounts, Appalachicola River Cafe of suburban Orlando, has found the re-

*(See **EARLY BIRD**, page 82)*

# Eure dies at 56: leading pioneer

**By Charles Bernstein**

RALEIGH, N.C. — Thad A. Eure Jr., who for two decades loomed even larger in the restaurant industry than his imposing 6-foot-4-inch, 250-pound frame, succumbed to pancreatic cancer here last month. He was 56.

Stricken three months earlier, Eure asserted that "I'm going to beat this cancer so I can go on building restaurants. But if the good Lord doesn't want me to build him restaurants here anymore, I will go build him restaurants someplace else."

**Eure Jr.**

A crowd of 600, including restaurant leaders from throughout the country, state officials, and the many personal friends of the affable Eure, chanted the "Onward Christian Soldiers" hymn as Eure's funeral service ended here on the same upbeat, positive note that he always maintained.

Eure was a masterful restaurateur with some failures but a high batting average. He was best known for the cavernous Angus Barn themed steak house he and his partner, Charles Winston, opened in 1960. It is the state's highest-grossing restaurant, with a

*(See **EURE**, page 82)*

**FOOD WATCH**

## *'Tis the time for truffles*

NEW YORK — Barbetta's, an old-time Italian restaurant in Manhattan, is hosting a truffle festival. Featured are white and black truffles hunted by the restaurant's own truffle hounds in Italy.

Truffles are the key ingredient in Barbetta's *fonduta con tartufe*. They are served over other raw mushrooms, ravioli, and game dishes.

Barbetta's, located on "Restaurant Row," West 46 Street between Eighth and Ninth avenues, has these rare and pungent delicacies flown in regularly from Italy during the truffle season.

"Truffles are a pricey treasure, but aficionados can't live without them," said Hillary Sobol, a representative for the restaurant.

**— Ken Frydman**

# Kettle cools acquisition bid

## *Clears way for executive-led buyout*

**By Tracey Taylor Woodard**

HOUSTON — Management of Kettle Restaurants Inc. has staved off another takeover attempt — this one captained by some of its own shareholders — and paved the way for a company-executive-led team to purchase the firm.

Kettle Acquisition Corp., a newly formed Florida investment group with ties to a group of dissident Kettle stockholders, formally withdrew its proposal to purchase the company as management increased its offer to $6.50 a share, or about $7 million, from its initial bid of $6 a share.

The executives are seeking to acquire the approximately 48 percent of Kettle's total shares outstanding not already owned by themselves, their relatives, or the Kettle employee stock ownership plan.

Kettle Restaurants Inc. operates and franchises 201 full-service, family-oriented restaurants in 16 states, primarily in the Sunbelt. Open 24 hours, the restaurants

*(See **KETTLE**, page 4)*

CHARLES BERNSTEIN ON THE BIG ADVANTAGE: BOTTOM-UP PLANNING — F3

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Vol. 22, No. 49 Dec. 5, 1988


# NEWS DIGEST

## Judge to halt Copeland from pursuing Church's

NEW ORLEANS — A federal judge said he plans to enjoin A. Copeland Enterprises from pursuing its acquisition of Church's Fried Chicken until Copeland reveals what confidential information it received from two former Church's executives.

The two, Lewis "Bucky" Kilbourne and George Samaras, currently hold high-level posts within Copeland's Popeyes fried-chicken chain.

Meanwhile, Church's confirmed that it has met with unidentified third parties interested in acquiring the chicken chain. A spokesman said Church's provided those suitors with information it has denied to Popeyes.

Church's has alleged that Kilbourne and Samaras armed Copeland with confidential information they garnered during their tenures as Church's chief financial officer and vice president of franchising, respectively.

## Steve's agrees to buy Heidi's yogurt chain

LINDENHURST, N.Y. — Steve's Homemade Ice Cream, the dipping-store chain and parent of Swensen's, plans to add a new treat specialist to its fold through the acquisition of 100-unit Heidi's Frozen Yogurt Shoppes.

Steve's said it has struck an agreement to buy an 86-percent stake in Heidi's from certain unspecified shareholders. Terms were not disclosed.

Steve's said it will then proceed with a tender offer for the remaining 14 percent of total shares outstanding.

## Nutrasweet opens cafe featuring low-cal treats

DEERFIELD, Ill. — Nutrasweet, the artificial-sweetener manufacturer, has opened a 40-seat cafe here that features reduced-calorie desserts.

About half of the offerings are made with Nutrasweet and half with curtailed amounts of sugar, according to a spokesman.

Nutrasweet's parent, Monsanto Co., said it would closely monitor the prototype Desserve cafe to assess the feasibility of duplicating the concept.

## Pizza Hut hikes price of Hand-Tossed Pizzas

WICHITA, Kan. — Pizza Hut is raising the price of its Hand-Tossed Traditional Pizza to the amount charged for the segment-leading chain's two other signature pies, Pan Pizza and Thin 'n' Crispy.

The increase totals about $1 per pie. Hand-Tossed has been offered at an introductory low price since the product was rolled out in June.

The hike is expected to offset the pressure exerted on profit margins by the introductory price of Pairs Pizza, Pizza Hut's recently introduced two-pie combination deal.

## Grand Met opens door for higher Pillsbury bid

MINNEAPOLIS — Grand Metropolitan chairman Allan Sheppard has raised the possibility of increasing the British conglomerate's $5.23 billion bid for Pillsbury Co., operator of Burger King, Steak and Ale, and Bennigan's.

Meanwhile, Burger King franchisees reported that they have yet to iron out their sharp differences with Pillsbury over the parent concern's plan to defend itself from Grand Met by spinning off Burger King as a separate, highly leveraged company.

Sheppard, whom Pillsbury has lampooned in ads attacking Grand Met, beseeched Pillbury executives to meet with him to discuss what they feel would be a fair price for the company.

Pillsbury, which has sought in vain to dissuade stockholders from tendering their shares to Grand Met, has yet to respond to Sheppard's invitation.

## Culp, formerly of Po Folks, takes post at Holiday Inns

MEMPHIS, Tenn. — Clyde Culp, the former president of Po Folks Inc., has joined Holiday Inns as senior vice president and chief operating officer.

He is responsible for the chain's 120 company-operated hotels in the United States. He succeeds Ned Druehl, who was promoted to president of Holiday Inns' U.S. Hotel Services Division.

Culp resigned from Po Folks when the family restaurant chain filed for bankruptcy protection last winter.

## Firnstahl, McHugh split with the toss of a coin

SEATTLE — Well-known Washington restaurateurs Tim Firnstahl and Mick McHugh, whose stable of high-volume establishments includes FX McRory's and Jake O'Shaughnessey's, have dissolved their partnership of more than 15 years.

The pair reportedly divided their holdings into two packages and then flipped a coin from the top of the landmark Space Needle here to see who got first choice. McHugh reportedly won the much-publicized coin toss.

According to one source, McHugh took possession of the Leshi Lakecafe & G.B.B. Bar, FX McRory's, and The New Jake O'Shaughnessey's at Bellevue Square. The source said Firnstahl got Jake O'Shaughnessey's, the Kirkland Roaster & Ale House, and a restaurant yet to open.

## Coniston says ruling won't deter TW pursuit

NEW YORK — Coniston Partners has vowed to pursue its hostile takeover of TW Services, the parent of Denny's and Canteen Corp., despite the failure of a legalistic attempt to overturn TW's "poison pill" defense.

Coniston had sought to scuttle the so-called shark repellent by asking a federal judge to rule on the constitutionality of the Delaware statute that permits companies to adopt such a measure. TW was incorporated in Delaware.

The judge dismissed the request.

## Hothorn returns to Omni as food & beverage chief

HAMPTON, N.H. — Peter Hothorn has resigned as Inter-Continental Hotels' vice president of food and beverage to reclaim that title at Omni Hotels, where he headed food-service operations in the early 1970s.

He fills the post that had been vacant since Walter Staib left Omni several months ago to join Specialty Restaurants.

Hothorn had overseen all food operations within Inter-Continental's hotels since 1978. From 1972 to 1975, he was vice president of food and beverage for Dunfey Hotels, which changed its name in the '80s to Omni.

## Daka, Fuddruckers complete merger

WAKEFIELD, Mass. — Daka International, a contract feeder based here, has completed its merger with Fuddruckers, the San Antonio, Texas-based burger chain.

The two have joined to form a new publicly held company that retains the Daka International name.

## Radisson acquires rights to 'clubcourt' concept

MINNEAPOLIS — Radisson Hotels said it has acquired the rights to franchise, develop, and operate a new midpriced lodging concept that was conceived in Cleveland by Snavely Development Co., an innkeeper there.

The new concept, called Honors Inn by Radisson, is the latest entrant in what has been dubbed the "clubcourt" market. Hotels in the emerging segment typically minimize public areas to allot more space for guest rooms.

# Poll: Friendliness works as well as discounts

**By Peter J. Romeo**

Greeting regular customers by name does as much to boost their patronage as discounting the price of their meals does, according to an exclusive new Nation's Restaurant News survey of American consumers.

The poll, conducted by SRI Research Center of Lincoln, Neb., revealed that personalizing service and temporarily slashing menu prices are the two most effective means of snagging more traffic from current patrons.

The drawing power of those two tactics even overpowers the allure of a permanent price rollback, the respondents said.

However, those techniques were assessed solely in terms of how well they pull a customer back to a restaurant the patron already knows and likes.

When respondents were asked what turns a restaurant into a favorite haunt, 54 percent said the caliber of its food. Service, in contrast, was cited by only 22 percent.

The numbers indicate that consumers visit a restaurant again and again because of its food but would stop by even more frequently if the place could boast friendly service as well as outstanding fare.

The survey comes at a time when many restaurant chains and independent dining places are seeking to weather cutthroat competition by squeezing more repeat business out of their current clientele.

Many of the attempts, if not most, involve one form or another of discounting. Newspapers routinely carry price-off coupons for a variety of eating establishments. Two-for-one deals have become a standard offering of the major pizza chains. And even fine-dining places are getting into the acts with frequent-guest programs, where patrons earn credit toward a free meal for every entrée they buy.

The survey verifies that discounting is an effective means of luring repeat traffic, with 14 percent of respondents saying they would visit a place more often if it offered coupons, specials, or other short-term price reductions.

But the same percentage said they would visit an establishment more frequently if they were recognized by staffers or were treated in some other friendly manner.

Only 12 percent said they would dine more often in a place if it permanently lowered its menu prices.

That revelation indicates that consumers prefer deep but short-lived discounts to always available moderate prices, possibly because they believe they can always find some temporary deal available. It lends credence to restaurateurs' fears that patrons choose a restaurant by sorting through piles of coupons to determine what place features the biggest savings that day.

Seven percent of the respondents said they would visit a restaurant more often if its food tasted better, and only 3 percent said they would do so if the fare were fresher or higher in quality.

Yet 544 of the 1,000 respondents reported that they visit a particular restaurant more often than others because of its food and menu. In contrast, only 222 said their favorite restaurant earned that distinction through outstanding service.

Friendliness was cited more often than speedy service, by a two-to-one margin.

The survey found that only 9 percent of consumers visit a restaurant again and again because of its ambience.

Only 3 percent do so because of that place's location, the statistics showed.

The study did not delve into what makes a person visit a restaurant for the first time.

Rather, respondents were asked what would lure them more often to a restaurant they like. Also, they were requested to picture their favorite restaurant and name what single attribute repeatedly draws them to that place.

**WHAT WOULD DRAW CONSUMERS TO A FAMILIAR RESTAURANT MORE FREQUENTLY?**

| FACTOR | CITED BY |
|---|---|
| Friendlier service/being recognized | 14% |
| Discounts/coupons/specials/gifts | 14 |
| Lower menu prices | 12 |
| Faster service | 7 |
| Better-tasting food | 5 |
| Higher-quality food | 3 |

Source: Gallup Organization/Nation's Restaurant News Adwatch survey

**WHAT MAKES A PLACE A FAVORITE RESTAURANT?**

| FACTOR | CITED |
|---|---|
| Food | 54% |
| Service | 22 |
| Friendly service | 11 |
| Speedy service | 5 |
| Atmosphere | 9 |

Source: Gallup Organization/Nation's Restaurant News Adwatch survey

# Blue Ribbon Grill comes up a winner

**By Jack Hayes**

ATLANTA — A couple of offbeat restaurateurs here are proving you can give away meat loaf lunches at $5.50, stay closed on Sundays, and still make money operating an old-fashioned, 115-seat neighborhood restaurant-and-bar.

It doesn't hurt that the restaurateurs are Ludlow Porch, the best-rated radio talk show host in Atlanta, and Paul Sachetti, a man fond of proclaiming that nothing's changed in food service since The Last Supper.

With their Blue Ribbon Grill at two units now, in suburban Tucker and Marietta, and grossing $1.2 million apiece, the effervescent duo is expanding to Ludlow's All American Steakhouse, a medium-priced menu concept that will serve up eye-grabbing signature entrées like One-pound Pork Chops.

Meanwhile, other suburban sites, in Alpharetta and Douglasville, are being scanned for a third Blue Ribbon Grill, which Porch and Sachetti expect will open by February. They want at least six of their hybrid family taverns in the Atlanta area.

"We want to remind the New York and New Jersey people of home," said Sachetti, who was 27 when he founded another tavern concept here, Crowley's, back in 1969. That operation grew to 10 units before he sold out in 1981.

"People tell us: 'This is the first neighborhood bar in the suburbs, something like Cheers,'" said Porch, a homespun humorist whose little-used real name (outside AM 750 WSB radio) is Bob Hanson.

It is not surprising that Porch handles Blue Ribbon Grill advertising and marketing, which is built around such bare-chested slogans as "You've got to eat somewhere" and "we need the business."

"Actually," he said, "we put Cheers to shame."

In fact, it is Porch's personality that draws customers to the doors for lunch and dinner for six days of the week. Meanwhile, Sachetti gyrates between the kitchen and cash register, entertaining another key group, the restaurant staff.

"Night after night they show up chanting, 'Ludlow sent us,' said restaurant manager Gary Maughan, who programs $14.95 Prime Rib on Mondays and Tuesdays, "Wacko Parties" on Wednesdays, and "Regulars Dinners" on Thursdays.

Chef Edward Smyke keeps them coming back with menu favorites like Ludlow's Meatloaf, Deep Fried Catfish, Drug Store Grilled Cheese, Cincinnati Chili, Blue Ribbon Burgers, Vegetable Plates, and Rotisserie Chicken.

"Casual American, strong on Southern regional, is the concept," confirmed Sachetti, who said the name Blue Ribbon Grill was already on the $30,000 sign they bought with the restaurant two and a half years ago.

Cleverly, Sachetti keeps the tavern and restaurant identities alive on either side of a glass-topped dividing wall. Blue Ribbon Grill does more than 80 percent of its business in food, and the Steakhouse is expected to do likewise.

The original restaurant, in the heart of a traffic-jammed office and retail complex near suburban Tucker, does two turns at lunch with tickets averaging a fat $6.50. That is even more impressive when one remembers there are 45 competitors in the neighborhood.

Meat loaf with mashed potatoes and a vegetable is the loss leader at $5.50 for lunch and $6.95 for dinner. The Grills sells 50 pounds of it each day between the two units.

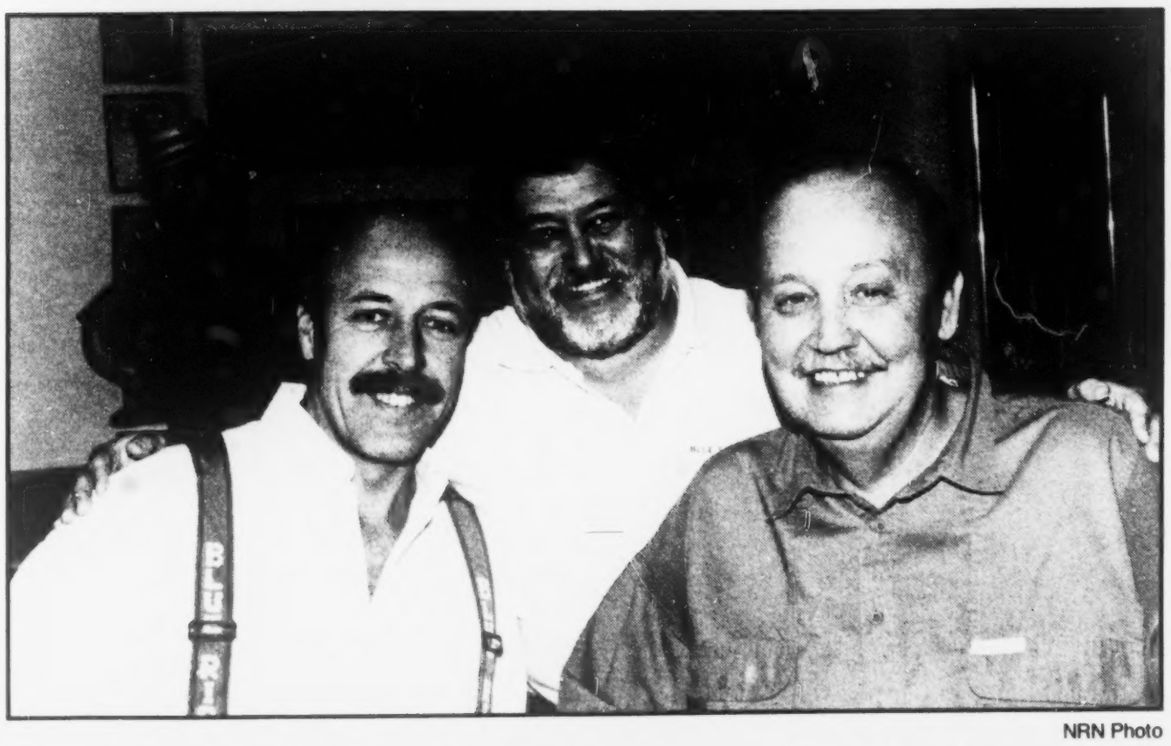
"It takes three people to eat that meat loaf, but somehow the customers all manage to clean their plates," joked Sachetti, who also ran a suburban bar — Hennesey's — that he sold in 1986.

Porch, who reportedly met his partner Sachetti beneath a table in one of the Crowley's taverns, was asked if he saw similarities between running a restaurant and talk show hosting.

"It's all show business," said the man who once provoked 20,000 phone calls from listeners with the story that Montana is nothing but a myth.

Admitting they're hardly bean counters, Sachetti and Porch will nonetheless pull their expanding operation out of its "shoe box" next year with a $5,000 investment in restaurant hardware and software.

Why so little? "Do you really need to look at screens with those dumb pictures of Martinis?" Sachetti asked.



NRN Photo

**From left, Blue Ribbon Grill general manager Gary Maughan with co-owners Paul Sachetti and Ludlow Porch.**

# *Happy Steak, Perko's sold*

**By Alan Liddle**

FRESNO, Calif. — The 23-year-old Happy Steak chain and sister operation Perko's family restaurants have been acquired in a leveraged buyout engineered by two former executives and the founder's son.

The new owners said they paid $10 million or more for 95 restaurants in California and Nevada, a meat processing plant, a commissary, and a distribution center. Total sales for the company, renamed Dining & Food Concepts Inc., are about $90 million a year, they said.

H.T. "Chic" Brooks, Happy Steak founder, president, and majority shareholder, resigned shortly before the buyout was completed. The company he left behind operates or franchises a total of 60 Perko's family restaurants, 20 Happy Steak self-service budget steak houses, and 15 Brookhill Restaurants, full-service outlets selling steaks and pasta.

Jerry Geraci, chairman of the reorganized and renamed company, said much of the buyout financing came from a United Kingdom source that he would name at a later date. He said he and his partners want to embark on an expansion program and plan to merge their company with an existing, publicly traded firm.

Geraci oversaw Fresno-based Happy Steak's commissary for 10 years before leaving in 1985 to start two companies. His Guido's Pasta manufactures pasta for retail sales, and his Geraci's Pasta Restaurant & Deli operates two and franchises three fresh pasta and seafood units.

Plans call for merging Geraci's businesses with the new company.

Geraci's partners are Phillip L. Parrish, formerly vice persident of real estate and franchising for Happy Steak, and Randy Brooks, Chic Brooks' son. Parrish is chief executive officer of the new company, while Brooks serves as president.

# FOCUS | VIEWPOINT

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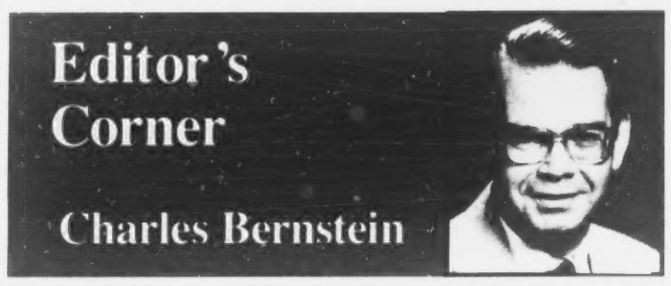
# The big advantage: bottom-up planning

Strategies and marketing plans must come from the top executive ranks and filter down through a company or chain. Only then, when the top executives show complete confidence in the procedures, can they be implemented.

Right? Wrong. Exactly the opposite is true, as food-service companies subscribing to the top-down theory of strategic planning have learned to their chagrin.




An intriguing new book by marketing strategists Al Ries and Jack Trout, called "Bottom-up Marketing," makes the case beautifully. They present a scenario equally applicable to operations, productivity, and all aspects of the food-service business.

Their assertions are especially timely in the light of current efforts to emphasize powerful leadership from the top. This won't work unless ideas emanate from middle management.

C. Jackson Grayson, chairman of the Houston-based American Productivity Center, declared at a recent industry conference that "productivity efforts must start from a company's top leadership rather than from the bottom up." Food-service executives widely endorse that view. Yet this philosophy may be one reason productivity continues to lag.

What Ries and Trout say may sound like heresy to some, but it makes sense. They express opposition to long-range strategic planning, mission statements, goals, business plans, and annual budgets.

"We believe that most managers today fail to understand the critical relationship between strategy and tactics," their book declares. "That's why they continue to be beguiled by the strategic planning process."

Traditional theory says "top management should first set the strategy for a marketing campaign," Ries and Trout note. "Then the strategy should be turned over to middle managers who select the tactics to use to execute the strategy. But our concept is just the opposite."

By placing the emphasis on strategy, or where a company wants to be in the years ahead, "you commit one of the two cardinal sins of business," they assert. "The refusal to accept failure and the reluctance to exploit success are both sins resulting from top-down thinking."

Indeed, a lack of flexibility often plagues the most elaborate strategic plans. As Ries and Trout put it: "Top-down thinkers are goal-oriented. They first determine what it is they want to achieve, and then they try to devise ways and means to achieve their goals. But most goals are simply not achievable. Goal-setting tends to be an exercise in frustration."

Marketing battles are decided at the tactical level, not the strategic level, they say. A prime example was Tom Monaghan's tactic to focus only on the home delivery of pizza.

"It was unique and different because no other chain was doing this," they observe. "This was one tactic, not a collection of tactics, built around home delivery only. Not home delivery plus take-out plus eat-in hamburgers plus hot dogs plus the works."

Monaghan's Domino's Pizza chain achieved success far beyond anyone's expectations because of the strategic implications of the home delivery tactic. With that simple precept, Domino's was able to preempt the 'home delivery of pizza in 30-minutes-guaranteed-concept.'

Other pizza chains apparently decided that "we're in the restaurant business; a home delivery chain doesn't fit our strategy." The result of that strategic thinking was, as Ries and Trout describe it: Monaghan made a fortune while others missed opportunities.

It is no mystery why most of the innovative ideas in the food-service industry have emanated from entrepreneurial-minded franchisees (bottom-up) rather than from the headquarters of their franchisors (top-down). The franchisees and middle management will spare no effort to make their own plans and beliefs work but may slow to a crawl when plans are dictated to them.

"Traditional top-down thinkers sometimes think they are working from the bottom up when they are really not," Ries and Trout warn. "What they are usually doing is looking for tactics that fit their predetermined strategy."

When John Stafford became Pillsbury chief executive, he set up a committee, which wrote a lengthy explanation of the company's mission and values. "He probably believed in the Moses approach to management," Riese and Trout speculate. "First you go up the mountain to get the tablets. Then you come down from the mountain to put the Ten Commandments to work."

Pillsbury's and Burger King's managers could not implement the mission, especially the commandment that "thou shalt make a satisfactory profit margin." So Stafford was ousted, and other Pillsbury and Burger King executives subsequently fell.

In a classic statement, Ries and Trout declare: "It's more in keeping with the prerogatives of higher office to work on the mission and values than it is to eat a Whopper at a Burger King. When you get to be a high priest of business, you feel the overwhelming urge to pontificate."

They decry the traditional top-down marketing approach aimed at changing the marketplace rather than changing the company's tactics. "In order to achieve our goal of a 10 percent increase in market share," the former thinking typically goes, "we have to increase brand preference for our product."

In the authors' view, bottom-up managers are trying to find advantages to exploit, are external- and consumer-oriented, and believe in both short-term and long-term success.

Ries and Trout deserve praise for their unorthodox approach. Industry executives and planners would do well to consider the implications and encourage flexible ideas or tactics from the bottom-up, rather than issuing strategic plans that must be implemented.

## *LETTERS*

### *KFC 'burger' article misses mark on direction*

Editor, NRN:

We appreciate your Nov. 7 coverage of Kentucky Fried Chicken (KFC battles McDonald's with new "burger") but feel that the article misses the point of our strategic direction. KFC has been very successful in the chicken category, gaining market share each of the past three years, positioning the Kentucky Fried Chicken system for even more growth and development of new business.

A key point is that KFC is not developing new sandwiches or other products in response to the activities of other chains. What we are doing is executing our strategy of moving KFC into the mainstream of the QSR industry by extending the reach and appeal of Kentucky Fried Chicken.

We expect to achieve that objective through maintaining focus on our core business and developing and testing an array of promising new products, among which are sandwiches.

A primary goal of this strategy is to build a stronger lunch and snack business through products intended to appeal to new customers as well as to increase the frequency of visits by our current customers. And, given that sandwiches, fries, and Pepsi constitute that All-American lunch, we are continuing to pursue development of a sandwich or lunch line, which we began last year with Chicken Littles.

We see potential in adding another chicken sandwich or more to our menu to win a bigger share of the lunch market. As we told you during your visit with Steve Fellingham, assuming that our current testing is successful, we expect company restaurants to add a midpriced sandwich during 1989. And, basing our expectations on successful results, we think that many franchisees will wish to offer the product as well to help build their lunch business.

Similarly, we are testing other new products and services that have promise of further enhancing our appeal to consumers in all dayparts via added variety and convenience. This developmental work includes testing of home delivery, chargrilled chicken, and green salads with chicken toppings.

**— Gregg M. Reynolds**
*vice president of public affairs*
Kentucky Fried Chicken
Louisville, Ky.

### *Writeup on Bob Luckey captured his spirit, style*

Editor, NRN:

I just finished reading your Oct. 17 writeup of Bob Luckey and send my commendations for a job well done.

Having been Bob's friend and business colleague for many years, I can attest to the fact that you captured his spirit, talent, and style.

**— Robert Adamowski**
*president and chief executive officer*
Pietro's Pizza Parlors

C5150-5
12/12/88

NEWSPAPER

***Operators equip for success***

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Jack Hayes/Page 18

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Patt Patterson/Page 90

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NRN Photo

**James Sparrow, food-service director of C&S National Bank, with Meredith Statler, cafeteria manager of the bank's main dining facility.**

## *C&S Bank lends style to corporate dining scene*

**By Jack Hayes**

ATLANTA — Citizens & Southern Georgia Corp., a banking group as conservative as okra and fried chicken, is booking 35 executive reservations a day for executive dining.

Some observers here are saying the 50-year-old Savannah Room serves the most creative corporate lunch in downtown Atlanta.

Food-services director Jim Sparrow, who turned the menu and kitchen over to a California interior designer two and a half years ago, is using professional waiters to serve a seven-course executive lunch combination that hasn't been repeated since the concept started.

"Other corporate groups would die to taste what some of our people still don't appreciate," said Sparrow, who is a veteran of Marriott. C&S operations delivers 2,000 cafeteria

*(See C&S, page 4)*

# Ryan hiring signals Taco Bell ad shift

## *Marketing shake-up follows profit falloff*

**By Richard Martin**

IRVINE, Calif. — Taco Bell Corp. has hired veteran chain executive Timothy J. Ryan to direct a revamped marketing thrust designed to reverse profit declines and improve customers' price-value perceptions.

He will oversee Taco Bell's $75 million annual advertising budget, which recently has funded stepped-up efforts to build customer traffic through the promotion of off-price tacos and the discounting of other low-end menu mainstays.

Ryan, the former president of Magic Pan International, resigned as executive marketing vice president of General Mills' Olive Garden chain to become senior marketing vice president of Pepsico's 2,807-unit Mexican fast-food arm. He formerly held senior positions at A & W Restaurants and Red Lobster.

He succeeds executive marketing vice president James P. Loser, whom Taco Bell president John Martin appointed head of a new "restaurants of the future" special-projects development team. Loser, who joined Taco

*(See TACO BELL, page 106)*

# Church's seeks knight in joust with Copeland

**By Karen Bruno**

SAN ANTONIO, Texas — With time running out in its battle to ward off a $300 million hostile takeover from A. Copeland Enterprises, Church's Chicken was desperately seeking the protection of a white knight.

**Church's rallies franchisees at annual confab**
**Page 14**

Wall Street, however, was doubtful that the company, which owns and franchises the nation's second-largest chicken chain, would win the fight to remain independent.

Meanwhile, Alvin Copeland, the flamboyant founder of 705-unit New Orleans-based Popeyes, indicated a willingness to raise his $8-per-share bid for the first time since announcing his

*(See CHURCH'S, page 106)*

# Rax shifts focus back to sandwiches

## *Chain to scale down, slash prices of self-serve buffets*

**By Bill Carlino**

COLUMBUS, Ohio — Plagued by slumping sales and a 90-item logjam on its lunch and dinner bars, Rax Restaurants Inc. is shifting focus back to sandwiches — the cornerstone of the 20-year-old chain.

**Sizzler mulls additions to food buffet**
**Page 3**

The 531-unit fast feeder based here is slashing the prices and scaling down the number of items of its self-serve food buffets.

"The lunch and dinner bar had stopped generating the growth we were looking for," said Larry Ritter, president of Rax. "Eventually the novelty of the all-you-can-eat lunch and dinner food bars wore off. We believe that an important part of Rax's future lies with the sandwich products."

Rax took the first step back to its sandwich roots with a November rollout of both a taco and a meatball pita-pocket and a selected market testing of oversized ham and roast beef sandwiches.

After six profitable quarters, Rax reported a net loss of $95,000 for the first quarter ended Oct. 24 vs. a $785,000 profit in the year-ago period. Revenues, which were up approximately 7 percent as recently as three quarters ago, have sagged in recent months, dropping 8 percent, to $29.1 million, in the latest period.

In addition, first-quarter average store sales sagged 6.5 percent sys-

*(See RAX, page 4)*

**FOOD WATCH**

## *Deck the hotels with holiday sweets*

SAN FRANCISCO — Tourists and natives alike will find their sweet tooths tempted this month as several hotel restaurants here serve up holiday goodies from around the world.

The Portman Hotel's Portman Grill leads the pack with a buffet of traditional treats from 20 different countries or regions that celebrate Christmas, Hanukkah, or other winter holidays. Among the offerings are

*(See SWEETS, page 4)*

CHARLES BERNSTEIN ON FOOD-SERVICE COMBOS — F3

**SPEAK OUT ON THE ISSUES OF 1989**

You can voice your views on the critical issues facing the industry by calling the Nation's Restaurant News Hot Line.

What is the single biggest challenge facing your business in the year ahead?

And what are you doing about it?

To register your opinion, call the 24-hour, toll-free NRN Hot Line this week.

A recorded message will ask for your statement. If you want, you can also leave your name, title, company and phone number so that we may contact you to confirm your statement for publication.

Watch for the results in an upcoming issue of NRN.

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Vol. 22, No. 50 Dec. 12, 1988

## NEWS DIGEST

# Vexed in search for buyers, Pillsbury hints at higher bid

MINNEAPOLIS — Unable to find a "white knight," The Pillsbury Co. has indicated that it might cease its opposition to a $5.23 billion takeover by Grand Metropolitan if the British conglomerate sweetens its offer.

Meanwhile, Wall Street has been rife with reports that Grand Met is willing to raise its offer to $65 per share, from $60.

Pillsbury chairman Philip Smith sent a letter to Allen Sheppard, his counterpart at Grand Met, declaring that "your reluctance to provide a higher offer cannot be excused." Smith said Pillsbury's board would consider "any bona fide offer."

Shortly beforehand, a lawyer for dissident Pillsbury shareholders revealed that the conglomerate had tried to sell itself to 15 unidentified companies in an attempt to evade Grand Met. None of the potential suitors was interested, the attorney said.

He said he had learned of the offers from depositions given by Pillsbury executives.

# Denny's to make Xmas a chainwide holiday

LA MIRADA, Calif. — Denny's Inc. is closing all of its Denny's, Winchell's, and El Pollo Loco units on Christmas, traditionally their busiest day, to allow 58,000 employees to spend the day at home.

Denny's officials indicated that closing for the day would cost the TW Services division nearly $5 million in revenues. Patrons who normally visit the restaurants on Christmas will be notified in advance via door stickers at the units.

TW Services president Jerry Richardson's decision to close on Christmas day follows the tradition established at Spartanburg, S.C.-based Spartan Food Systems, another restaurant subsidiary of TW Services.

# RJR Nabisco's new owners plan breakup of food units

WINSTON-SALEM, N.C. — The Wall Street investment firm of Kohlberg, Kravis, Roberts & Co., which outbid RJR Nabisco Inc. management with a $109-a-share cash-and-notes offer worth about $24.9 billion, indicated it planned to raise $5 billion to $6 billion to cover some of its new debt burden by selling parts of the company's food operations over the next two years.

Ralston Purina, Quaker Oats, General Mills, Castle & Cooke, and Proctor & Gamble are among those that have indicated interest in the RJR Nabisco labels, which include Ritz crackers, Del Monte and Ortega canned goods, A-1 steak sauce, Fleischmann's and Blue Bonnet margarines, College Inn soups, Planters nuts, Royal mixes, Fig Newton cookies, and Life Savers candy.

F. Ross Johnson, RJR Nabisco president and chief executive, promised to work "toward a professional and smooth transition." Meanwhile, it was expected that Kohlberg, Kravis would name former RJR Nabisco chief executive J. Paul Sticht as interim chairman of the company.

Kohlberg, Kravis emerged the victor after weeks of frenzied bidding and shifting alliances sparked by management's initial $75-a-share offer in October when the stock was trading in the $40s. The free-for-all has led to cries in Congress for reforms that would curtail leveraged buyouts.

# Survey finds nursing homes rife with feeding violations

NEW YORK — In a damning assessment of health-care feeders, the U.S. Department of Health discovered in a recent survey of 15,000 nursing homes that 43 percent were serving food in unsanitary conditions.

The study also revealed that 37.7 percent of nursing home residents either require feeding assistance or are fed intravenously.

The Health Department plans to conduct such a survey on an annual basis to guide consumers in choosing nursing homes.

# Coniston intensifies pursuit of TW Services

NEW YORK — With 81.3 percent of TW Services' outstanding shares already in hand, Coniston Partners is pressing its attempt to acquire the food-service giant despite the prey's poison pill defense.

Coniston has extended its tender offer to all TW shares. Earlier, the arbitrage concern had offered to buy only about 51 percent of TW, to avoid flooding the market with new shares by triggering the poison pill.

Although shareholders have tendered four-fifths of shares outstanding, Coniston has actually bought only about 20 percent of the float. It said it would purchase the rest when the poison pill is either redeemed by TW or overturned by the courts.

Coniston said it would assess its options if it cannot convince either TW or the legal system to negate the defense.

# Wage grace period ending, Calif. operators warned

SAN FRANCISCO — The state labor commissioner has warned restaurateurs that they will face penalties and interest charges after Jan. 1 if they fail to adjust the pay of regularly tipped employees to at least $4.25 an hour, retroactive to July 1.

Lloyd W. Aubry Jr. issued the grace-period warning as part of his plan to implement the Oct. 31 state supreme court decision invalidating California's controversial two-tier minimum wage. Under that system, food-service employers did not have to pay every employee the $4.25 wage.

But the court struck down the $3.50 "alternative" or "subminimum" hourly scale, which went into effect for tipped workers July 1 along with California's new $4.25 pay threshold.

Aubry said interest may be charged from the Nov. 30 effective date of the court ruling on any portion of the wage differential still unpaid to current or former workers by Jan. 1. Additionally, fines of $50 to $100 per employee could be levied for various wage infractions and 30 days' salary could be assessed for failure to pay full wages on termination.

# Circle K rolls new drink, expands condiment bar test

PHOENIX, Ariz. — Circle K Corp. is rolling out a frozen carbonated beverage called the Chiller into 400 convenience stores in its home market here and in Kansas City, Mo.

Circle K is also expanding a five-store test of a condiment bar that serves the chain's sandwich and hot-dog programs.

The new Chiller, available in 12 flavors and four sizes, will eventually be rolled out into most of the chain's 4,750 stores, said Stephen Schwitalla, Circle K senior vice president of food service.

# Melman joins Winfrey to open Chicago restaurant

CHICAGO — Richard Melman said he has agreed to team up with talk show hostess Oprah Winfrey to open a new restaurant here early next year.

To be named The Eccentric, the restaurant is described as "an American bistro for the '90s."

# Domino's opens NY unit in second stab at the Apple

NEW YORK — Domino's Pizza has opened a store near New York University here in its second attempt to crack a pizza market dominated by mom-and-pops.

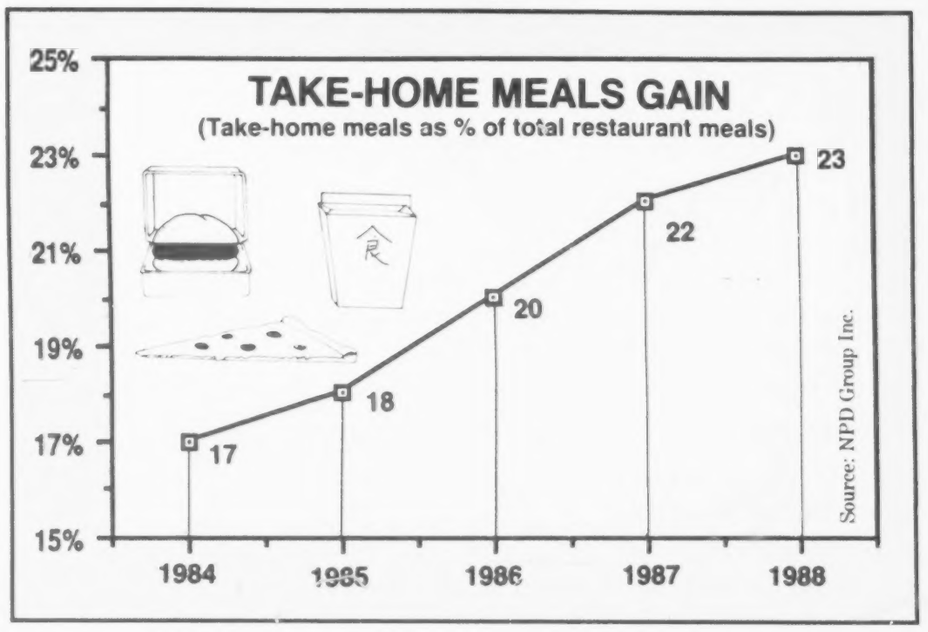
The Ann Arbor, Mich.-based, delivery-only chain's first stab at the market, a midtown store, closed several years ago.

The new, company-owned store is outfitted with bullet-proof glass windows, twice the number of ovens than the typical corporate store has, and bicycles and runners for delivery of 10-inch and 14-inch pies. It has no in-store seating.

MARKETING

# Report: Take-home meals gain ground

## *Convenience, cost add fuel to growing trend*




**By Bill Carlino**

CHICAGO — Americans are taking home 8 percent more restaurant meals this year than they did last year, as the number of cooked-at-home meals declines 7 percent, according to new market research.

According to the latest figures from the third annual National Eating Trends Report, Americans averaged 28 take-home meals this year compared with 20 carry-out meals in 1984, a 40-percent jump.

Overall, survey respondents averaged 110 total away-from-home meals per year either eaten on premises or carried out.

The survey, conducted by the NPD Research Group based here, polled approximately 13,000 households regarding their away-from-home eating trends, while 2,000 separate households were surveyed for at-home meal consumption patterns.

Respondents recorded all food and beverages consumed by members inside the home and all food and beverages purchased at commercial eating establishments within the past year.

"Convenience is fast becoming the predominant theme in away-from-home meal consumption," said NPD project director Mark Plotnick. "Although home-meal preparation and consumption still represents the greatest percentage in current eating trends, take-home meals are quickly becoming a major overall influence."

Cost figured prominently in the sprouting take-home segment, as carry-out meals averaged 53 percent less than meals eaten on premises.

Pizza outlets in particular displayed the greatest growth within the take-home category, climbing 28 percent since the 1984 survey and pushing significantly ahead of chicken and hamburgers within competing take-out concepts.

Carry-out chicken meals dipped 9 percent from the 1987 figures and 28 percent over a four-year period. Although annual hamburger take-home meals experienced no change over the past year, the category has dwindled 10 percent since 1984.

In 1988 the cost of food at home rose faster than did the cost of food away-from-home for the first time this decade, which, according to Plotnick, was a primary factor in the growth of take-home meals.

Regarding on-premises restaurant meal consumption, the NPD survey revealed the hottest-selling items to be breakfast sandwiches; pizza; Oriental-Mexican-Italian entreés; carbonated soft drinks; and main-dish salads.

Beef, red-meat sandwiches, and cake desserts were among the less-requested dishes.

Although meal preparation and consumption at home declined 7 percent since last year, the underlying trend for home-meal consumption lies in the "heat and run" method.

Two-thirds of all households surveyed now use a microwave at least once every two weeks, an increase of 10 percent over the 1987 figures.

In fact, for the first time since the survey's inception, the microwave has now surpassed oven usage to become the second most frequently used home cooking appliance, after stove-top preparation.

Microwave use has evolved beyond simple meal preparation, as 16 percent of all main meals are cooked by microwave.

The convenience trend serves to influence home meal consumption, too, as 76 percent of food items prepared at home were categorized as "ready-to-eat," requiring no preparation, while 17 percent were frozen items.

Compared with figures five years ago, the lunch consumption patterns are undergoing the most significant changes relative to meal sources. Factors responsible include carried meals, restaurant meals, and meal skipping.

The most significant trend for changing meal sources was at dinner, where the annual number of take-home meals per person has climbed 50 percent since 1984, while dinner meals prepared at home dipped 9 percent since 1987.

Regarding future eating trend projections, the NET study projects that eating patterns will be dictated largely by the female work force, which is expected to grow twice as fast as the male work force , and an upsurge of families with children, a segment growing between 16 percent and 28 percent annually.

## AD WATCH

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*"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

## NRN MARKETING DIGEST

### King's Table hires new agency

EUGENE, Ore. — International King's Table, a chain of 90 cafeteria buffet restaurants based here and owned by Horn & Hardart, has transferred its $2.5 million advertising account to Livingston & Co.

### Roy Rogers readies for new promo

WASHINGTON — The Roy Rogers sandwich chain has hired QLM Associates, a Princeton, N.J.-based marketing specialist, to develop a new array of promotional campaigns.

The first will debut in March, QLM said, adding that the program would not be built around a menu item. Further details were not disclosed.

The promotions agency said it was one of nine shops that were considered for the Roy Rogers account.

### Grisanti names marketing director

LOUISVILLE, Ky. — Grisanti Inc., based here, has named Carol Lomicka director of marketing and strategic planning.

She will be responsible for overall corporate marketing, planning, creative development, and marketing.

Before joining Grisanti, Lomicka owned a consulting business here called Direct Access Marketing. Before opening that business, she was a manager responsible for several brands of cigarettes at Brown & Williamson.

Grisanti operates 17 Grisanti Casual Italian Restaurants; 12 Casa Lupita restaurants; and Casa Grisanti, Sixth Avenue, and Mamma Grisanti's here.

### Australia comes to Radisson

MINNEAPOLIS — The restaurants of selected Radisson hotels are launching a promotion of Australian foods and wines to publicize the chain's entry into the island continent's lodging market. Radisson said it plans to open three hotels in Australia by the end of 1989.

In other news, Radisson Hotel Corp. has promoted Harriet Craig Peterson to vice president of marketing, giving her responsibility for all advertising and promotions related to the chain's domestic and international operations.

Peterson, who succeeds William Hanley, had been senior director of marketing. Hanley joined a rival hotel company.

Radisson is owned by Carlson Cos., a Minneapolis-based conglomerate that also operates the Country Kitchens chain.

# FOCUS | VIEWPOINT

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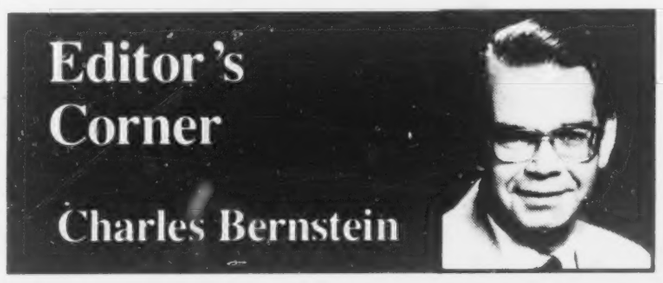
# Food-service combos: pitfalls abound

Two for the price of one? How about three, four, or even five or more for the price of one?

A myriad of fast-food and casual-restaurant combinations are dotting the sidewalks, landscapes, and malls of America in frantically rising numbers. Operators are also linking up with convenience stores, gas stations, auto stores, video shops, and other retailers.




In effect, this is another form of merger mania that has swept the industry, albeit a more palatable and manageable one than the corporate buyouts. At least entrepreneurship tends to be emphasized in these combos.

Many of the new-wave complexes are team-ups of franchisees or of franchisees and franchisors. They represent a reaction to sharply rising management and land costs and an opportunity to build more variety and traffic for a wider market share.

By combining managerial responsibilities and real-estate costs, operators reduce their initial investment and overhead. Yet these tie-ins often are not the paradise envisioned — management is spread too thinly, individual images are diluted, and sales are cannibalized even while traffic jumps.

We thought that Murray and Irving Riese invented this innovative approach to maximum utilization of space. They literally built combination food-service operations on almost every corner of New York City, corners that they own anyway. Originally, operators around the country scoffed at the idea, but these same operators are lining up to imitate it or to launch their own versions.

The latest Riese combo is planned for the Upper East Side with a Nathan's, Pizza Hut, Roy Rogers, and Dunkin' Donuts. In a complex not far away, the Rieses already have a team of Houlihan's, Roy Rogers, Dunkin' Donuts, and Del Taco.

Another Riese combo being eyed in new York is a combination of two full-service restaurants, Dennis Riese's TGI Friday's franchise and Murray and Irving Riese's Chi-Chi's franchise.

Actually, one need go no further than New York's Penn Station complex to find a still-expanding universe of some 25 different Riese franchise concepts.

The newest nuance has corporations jumping into the act, too. PepsiCo has launched a unique combination of its three chains, putting Pizza Hut, Taco Bell, and KFC under one roof in Columbus, Ohio. And Pillsbury teamed up Burger King, Godfather's Pizza, and Häagen Dazs at a Las Vegas casino.

Among other multiple concepts opened or planned:

Popeyes and Pizza Royale in New York State; Popeyes and Carl's Jr. in San Francisco; Mr. Donut and Twistee Treat in several locations; Dairy Queen, Orange Julius, and Karmelkorn in a number of spots; 7-Eleven with Winchell's, T.J. Cinnamons, and Dunkin' Donuts counters; and Amoco gas stations with Burger King and Dairy Queen.

The one chain that everyone seems to want to team up with is Dunkin' Donuts, whose counters or snack stands seem to be almost everywhere in addition to its own freestanding dominance in the snack market.

Meanwhile, T.J. Cinnamons has joined Burger Tyme in a few places while West Coast Video Stores explore potential linkups with Arby's, Pizza Hut, and TCBY. A few Taco John's franchisees have twinned with Popeyes or Bresler's ice cream.

Food-mall clusters and food courts have become prevalent at shopping centers. But now food courts are prospering at major airports. One of the biggest was set to open this week at Newark, N.J., International Airport's new Continental Airlines terminal with offerings from 18 different units, including McDonald's, Häagen Dazs, Sbarro's, Au Bon Pain, Wok & Roll, Nathan's, and Philly Cheese Steak.

Fast Far East, Bun-on-the-Run, Deli-in-a-Hurry, and Mexican-in-a-Minute are teamed at Chicago's O'Hare Airport, and Au Bon Pain will twin with Sbarro at Boston's Logan Airport.

Sbarro is another favorite partner, as Marriott has utilized it adjacent to Roy Rogers and Bob's Big Boy at turnpike locations.

Whether twins, triplets, quadruplets, quintuplets, or sextuplets, the synergy can create a winning combination of more choices for the customer. But there are serious pitfalls in losing individual identities and allowing management to thin out in the struggle to save money.

Launching a multiplicity of combined concepts is by no means a panacea and can merely create organized chaos. But when properly orchestrated and merchandised, this approach can be a bottom-line asset if the concepts and the people who run them mesh.

## *LETTERS*

### Industry's temp workers lack professional pride

Editor, NRN:

I am a subscriber to your newspaper. Over the years much has been written about the problems facing the hospitality industry, and from my point of view, they are quite accurately portrayed by you and your staff.

We read about the massive and sometimes insurmountable labor problems in the food-service industry, about restaurant openings and closings and turnovers at a rate that boggles the mind.

We read about the hotel scene: "Absolute misery at $200 a day" and the horror you encountered at a major hotel.

What the hell is wrong? Well, it is quite clear what's wrong! First, the vast majority of young people who enter the management end of the hospitality business leave within a couple of years.

Second, the vast majority of the workers are kids who at one time or another spend time as waiters, waitresses, chambermaids, bellhops, busboys, dishwashers, or cooks as they prepare themselves for their true calling, these people in between "real" jobs.

In short, our industry, the largest employer of all, does not constitute a profession to most people in it. They are temporaries for the most part, no matter how you look at it, and they lack professional pride.

With the exception of a few professionals out there, it is a slough-off industry, and that's what's wrong!

To add to the dilemma, we have industry leaders who fight minimum-wage increases, and then there are all kinds of entrepreneurs with no credentials trying to make an easy buck.

The ultimate irony is that there are thousands of capable and highly motivated men and women who are refused jobs because of age. I quote you: "Age discrimination: missed opportunity," "a blatant loss of opportunity not only for the veteran employee but for the entire food-service industry."

It does not make any sense not to hire those with a wealth of experience. The status quo is clearly unacceptable, and those "older guys" with 15 or more years to give certainly could help bring respectability back to the industry. It needs it!

**— Rolf Olofsson**
Bar Harbor, Maine

### Concepts, companies diluted by acquisitions

Editor, NRN:

As a former Houlihan's manager, a "victim" of two acquisitions, and an observer of others, I found Charles Bernstein's Oct. 10 Editor's Corner, "The Rieses: too much of a good thing," full of insight, disheartenment, and prophecy.

Concepts and companies are almost always diluted after being acquired. Witness Coco's, Reuben's, Marie Callender's, Tia Maria, and most of the Saga family.

Their personas change, their personalities wash out, and the new owners forget the entrepreneurial spirit that made the places worth visiting.

My advice to those in the Houlihan's organization who care about hospitality: Dust off your résumés; call your headhunters. It certainly won't be the same, and it probably won't be better.

**— John H. Bing Jr.**
Toluca Lake, Calif.

### Coverage of Southeast, editorials commendable

Editor, NRN:

Please keep up the hard-hitting editorials. Readers may not always enjoy hearing what you have to say, but then few of us enjoyed getting the polio shots that may have saved our lives.

I also would like to mention that your coverage of the Southeast has shown a remarkable change in breadth and depth with Jack Hayes in your bureau.

**— Richard M. "Erik" Gordon**
*chief operating officer*
The Original Great American Chocolate Chip Cookie Co.
Atlanta, Ga.

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NEWSBRIEFS

**Chili's success recipe mixes growth, culture**

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Carc

**Picking the right consultant**

ort Hochstein/Page 22

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NRN Photo

**Employees of Chicago's Drake Hotel enjoy employee Christmas party.**

## *Operators celebrate holiday banquet boom*

**By Carolyn Walkup**

The private party business is giving some restaurant operators a reason for celebrating this holiday season.

While December traditionally is the busiest banquet month because of corporate Christmas parties, operators are crediting a strong economy for the increase in the number of businesses that are throwing dinner parties for their employees and clients.

In Boston, December bookings are running 40 percent ahead of last year's at 57 Restaurant.

In Atlanta banquets at The Abbey restaurant are up 10 percent over last year's.

In Chicago, the Drake Hotel reported a 7-percent increase.

At 57 Restaurant in the 57 Park Plaza hotel complex in Boston, sales director Paul Landry said The Continental and Greek restaurant has been hosting parties, largely for Boston's Greek and Jewish communities, for 18 years and does about 30 percent more banquets in December than in any other month.

"Parties have become a very big part of our life here," said John McCarthy, co-owner of the two-year-old Whitney restaurant in Detroit, a restored Victorian mansion where

*(See **CATERING**, page 4)*

**Restaurants donate to charitable causes**

In the holiday spirit, chains and independents are donating food and money to help the needy.

**Page 3**

# Burger King shifts marketing chiefs

## *Irate franchisees spark latest upheaval*

**By Peter Romeo**

MIAMI — While Burger King's fate is being decided in a Minneapolis boardroom, the fast feeder is attempting to put its house in order by changing marketing chiefs for the second time in six months.

The chain has returned Don Dempsey, formerly executive vice president of the Northeast region, to the position of marketing director, a job he originally held three years ago.

The reassignment comes at a time when Burger King is considering the possibility of hiring a second advertising agency to improve its much-criticized television commer-

*(See **BK**, page 98)*

**BK turnover reflects turmoil**

**Page 7**

# Food suppliers race deal-making deadline

**By Charles Bernstein**

News Analysis

Food-service supplier acquisitions heated up this month as companies raced to beat year-end tax deadlines and capitalize on the hands-off mergers policy of the Reagan administration. The deals have reached such staggering proportions that $1 billion offers are being scoffed at as meaning nothing.

If President-elect George Bush is not necessarily in a mood to encourage anti-merger actions, the Democratic-controlled Congress certainly is.

Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee, is set to launch special hearings on a proposal to bar tax deductions on takeover debt interest

*(See **MERGERS**, page 98)*

# Cash crisis spurs Le Peep shakeup

**By Alan Liddle**

DENVER — Cash-strapped Le Peep Restaurants Inc., operator and franchisor of 64 breakfast-only restaurants, has closed its New York offices and is restructuring its board of directors.

News of the office consolidation and the resignation of as many as six of Le Peep's seven board members coincided with disclosures that the chain's losses are continuing to mount. For

*(See **LE PEEP**, page 98)*

**NOTE TO READERS**

Because of the holidays, Nation's Restaurant News will not be published Dec. 26. The next issue will be Jan. 2.

We wish all our readers the happiest of holidays and a successful New Year.

**FOOD WATCH**

## *Power lunch*

NEW YORK — The president and president-elect of the United States and the general secretary of the Soviet Union conducted heavy world matters over a very light lunch here.

Ronald Reagan, George Bush, Mikhail Gorbachev, and 11 of their top political minions sat down on Governors Island to a three-course "nouvelle" lunch prepared by executive chef John Doherty, executive

*(See **POWER**, page 98)*

CHARLES BERNSTEIN ON CHILI'S CHALLENGE: NO DIVERSIFICATION— F3

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Vol. 22, No. 51 Dec. 19, 1988

# NEWS DIGEST

## Grand Met-Pillsbury talks raise chance of higher bid

MINNEAPOLIS — Negotiations between Grand Metropolitan PLC and its takeover prey, Pillsbury Co., have raised the possibility that Grand Met will sweeten its purchase bid a second time to complete the acquisition on friendly terms.

Before tendering the current offer of $63 per share, Grand Met agreed to pay $65 if Pillsbury would agree to a merger. But Pillsbury rejected the incentive, declaring that it would not accept less than $68 per issue.

Grand Met increased its bid for the first time, to $63 from $60, days before a judge was to rule on the validity of Pillsbury's poison pill defense. Grand Met has said it will not proceed with the takeover unless the measure is nullified.

Pillsbury would rescind the poison pill if a merger agreement is reached.

## Church's shuts 120 units, seeks to derail Copeland bid

SAN ANTONIO, Texas — Church's Fried Chicken has closed about 120 unprofitable units, or approximately 8 percent of the chain's total stores, in an effort to plug a drain on cash flow.

The closings came on the heels of Church's request that a federal court permanently enjoin A. Copeland Enterprises from bidding for the chain. A court has suspended Copeland's takeover attempt until the suitor discloses what information it received from an executive who formerly worked for Church's.

Church's, which has been mired in a prolonged sales slump, would fetch a higher price if it were financially stronger.

## H&H, Riese end talks, opening door to buyout

NEW YORK — In a move that opens the door to a takeover attempt, Horn & Hardart Co. has terminated negotiations to sell certain properties here to a shareholding partnership that includes Irving and Murray Riese.

Horn & Hardart had agreed to deal exclusively with the partners for the real-estate parcels, many of which house food-service outlets. Under the terms of the agreement, the Riese partnership, which holds a 6.9-percent stake in Horn & Hardart, would not acquire additional shares or take any action relating to a change of control in the company for 30 days.

Horn & Hardart and the Riese partnership were unable to agree on a price for the land.

## Coniston representative meets with TW directors

NEW YORK — Coniston Partners disclosed that a representative had met with two directors of TW Services in an attempt to convince TW's board that a merger with Coniston would be in the company's best interest.

Coniston also said that it would "promptly" submit a merger plan to the board of TW, which operates Denny's and Canteen Corp.

The Coniston representative met with the TW directors about one week after TW again urged stockholders to rebuff Coniston's $1.4 billion takeover bid. TW also asked stockholders who have already tendered shares to renege on their agreement to sell.

## Massey exits El Pollo Loco; Scott moves into new top slot

LA MIRADA, Calif. — Howard F. Massey has resigned as president of El Pollo Loco to become a franchisee of the Mexican-style grilled chicken chain, a division of Denny's Inc. His position was eliminated.

Bernard Scott, a 15-year Denny's veteran, was named to El Pollo Loco's new top post of senior operations vice president and general manager. He reports to Denny's Inc. president Samuel H. Maw.

Scott joined the 148-unit chicken chain in September as operations vice president after serving as operations director for the 150-unit Florida division of Denny's Restaurants.

Massey, a 17-year veteran of Denny's and its former senior operations vice president, was named El Pollo Loco's president in 1986.

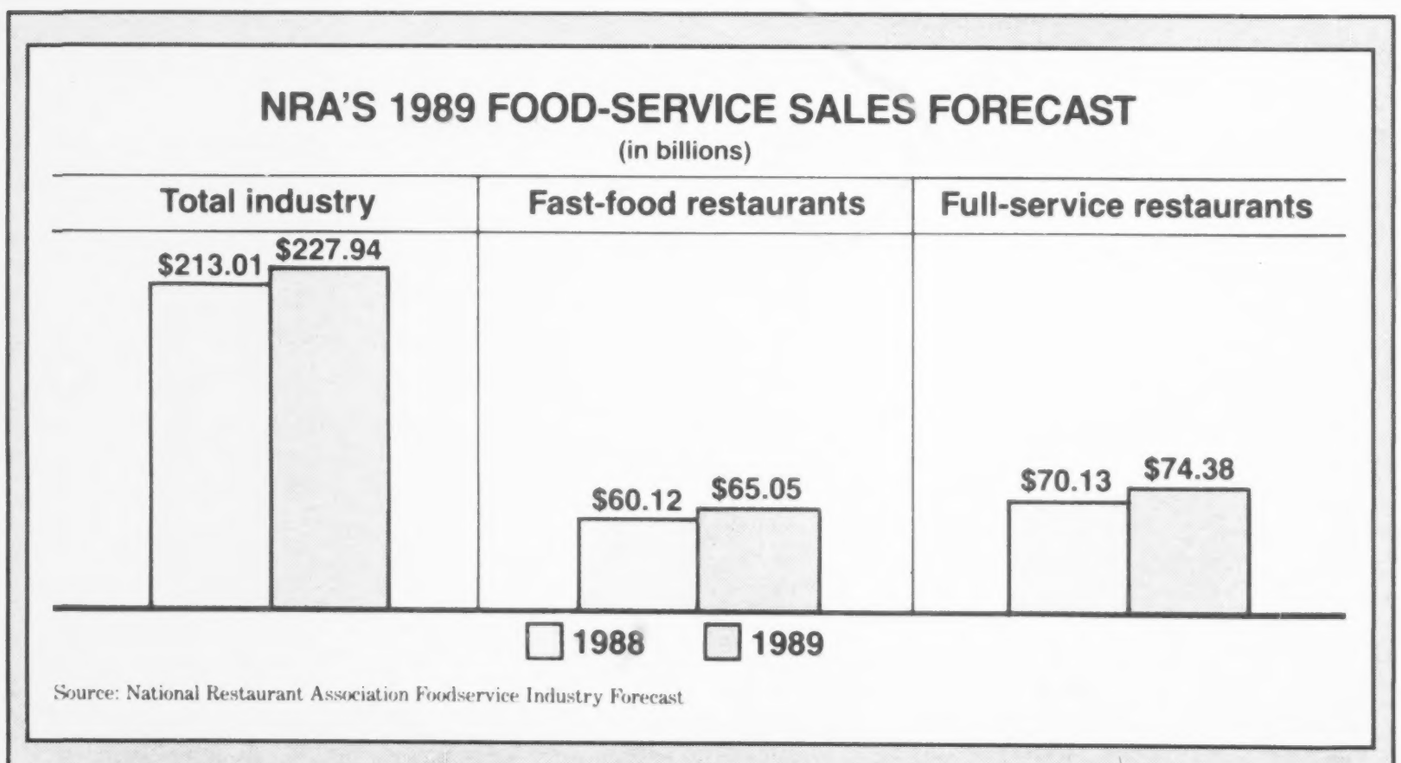
## Sis says loan default won't close restaurants

NORTH OLMSTEAD, Ohio — Sis Corp., franchisor of the Sisters Chicken & Biscuits chain, said its restaurants will remain open while the company searches for a way to meet lenders' demands for overdue loan payments.

Sis has said that it might have to file for bankruptcy protection if it is unable to secure bridge financing.

The chain's two principal lenders, which have been waiting for the repayments since Sept. 30, have refused to grant Sis more time to obtain intermediate financing.

Sis, noting that it is "encouraged by discussions with our suppliers," expressed confidence that company stores could remain open despite lenders' demands.




# *NRA predicts slower growth in '89*

NEW YORK — Food-service sales will inch upward by an inflation-adjusted 2.2 percent next year, marking a slowdown from the 2.6-percent real growth rate logged in 1988, according to the National Restaurant Association.

Sales will total $227.3 billion, surpassing this year's tally by $14.3 billion, the NRA said in a recently released forecast.

Fast-food places will again outpace the rest of the industry, raising sales to $65.1 billion through a 3.6-percent rise in customer traffic, according to the forecast.

Full-service restaurants should take in $74.4 billion in 1989, for an inflation-adjusted sales increase of 1.5 percent, the NRA said.

The fastest-growing food-service segments next year will be airline catering, which should experience a 5-percent jump in real sales, and in-store restaurants, which will gain 4.9 percent in real sales, according to the forecast.

# Poll: Diners shrug off contamination reports

By Rajan Chaudhry

Reports of contaminated meats, seafood, and poultry are unlikely to dissuade consumers from ordering those items when they dine out, according to an exclusive Nation's Restaurant News-SRI poll.

In recent months restaurateurs have had ample reason for biting their nails as the news of pollution-induced beach closings was splashed on front pages nationwide and poultry inspection methods were called into question before millions of TV viewers. But a survey, conducted for NRN by SRI Research Center of Lincoln, Neb., suggested it will take more than banner headlines to make customers forgo their filet mignon or lobster Newburg.

According to the poll, the image of beef seems least tainted by bad press, with 68 percent of those queried saying they have heard of no reports of contamination in the past 12 months. Such is not the case, however, with fish, poultry, and eggs.

Fully 64 percent of the survey's 1,000 respondents said they've read, seen, or heard reports regarding the possible dangers of both pollution-tainted fish and salmonella-infected poultry or eggs. Nevertheless, 62 percent said the negative exposure has not affected the way they order fish in a restaurant, and 66 percent said exposure has not affected the way they order poultry and eggs.

Only 11 percent of those who reported exposure to negative information have stopped ordering fish, and a paltry 4 percent said they have begun ordering fish less frequently.

Likewise, 9 percent of those who said they have heard reports of salmonella infection have stopped ordering poultry and eggs, and a mere 4 percent said they order less.

Of respondents who reported that they've heard accounts of beef contamination by farm chemicals, 78 percent said their ordering habits are unchanged, while scarcely 3 percent have stopped ordering beef, and 7 percent now order less.

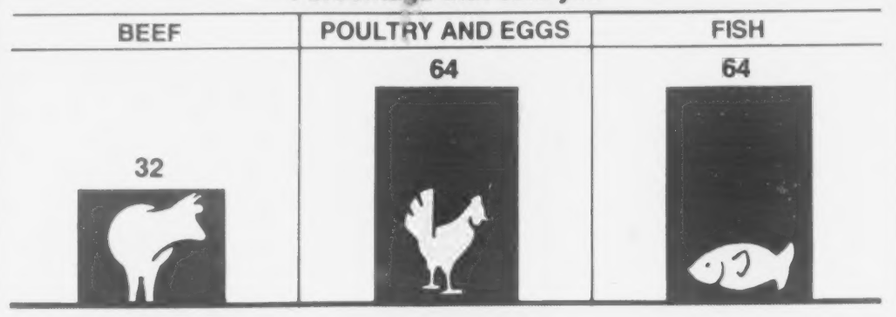
A small number of customers — 6 percent for beef, 10 percent for fish, and 7 percent for poultry and eggs — said that they are more cautious when ordering since becoming aware of potential hazards.

Consumer behavior is fairly consistent in terms of gender; however, 6 percent of female respondents said they have become more cautious when ordering poultry and egg dishes vs. only 2 percent of men. And women, 9 percent, are also more than twice as likely as men, 4 percent, to say they have stopped ordering fish.

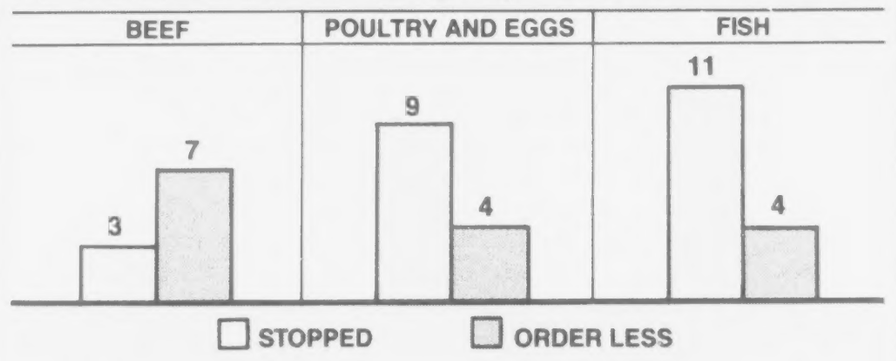
Regionally, consumers in the Northeast, 11 percent, are much more likely than respondents in the South Central, 4 percent, North Central, 5 percent, or West, 6 percent, to say they have stopped ordering fish altogether.

**In the past 12 months have you heard anything about contamination of beef, fish, poultry?**

Percentage that said yes




**Percentage of respondents who have stopped ordering or order less since learning of potential contamination**




# Restaurants spread goodwill with holiday donations

By Ken Frydman

NEW YORK — 'Tis the season for giving, and restaurants have gotten into the charitable holiday spirit.

During the traditional holiday season from Thanksgiving to New Year's, such organizations as Share Our Strength (SOS), the Greater Cnicago Food Depository, the Chef and the Child, and Citymeals-on-Wheels are the beneficiaries of food and money donated by benevolent independent and chain restaurants around the country.

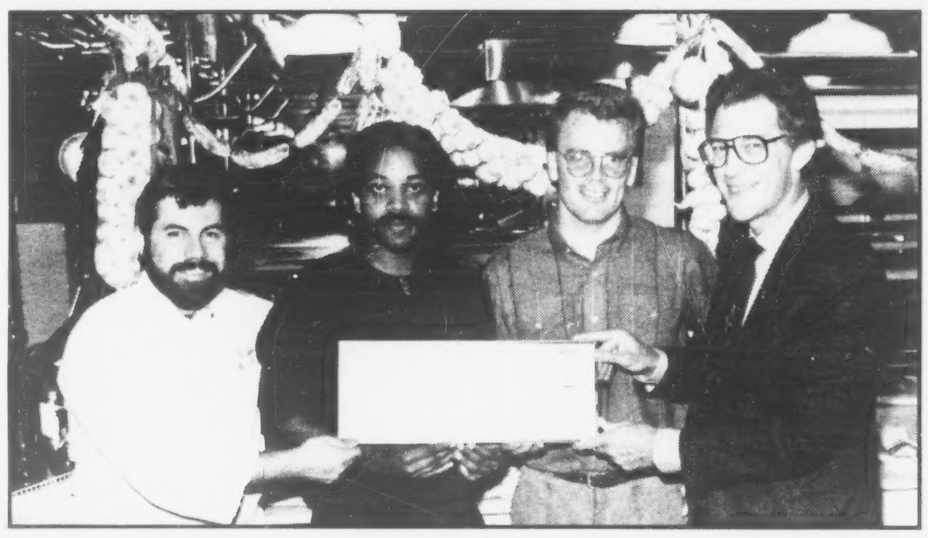
These seasonal goodwill gestures feed the hungry, the homeless, the homebound, and the ill.

Clive DuVal, owner and chef of Tila's "Nouvelle Latin" in Chevy Chase, Md., is a strong believer in "giving something back." Most recently, he hosted 200 homeless people from area shelters for a full Thanksgiving dinner in his restaurant, continuing an annual tradition he began at his Tila's in Houston.

"We got donations of time and talents from a magician, buses and drivers to transport the homeless families, and our chefs, waiters, waitresses, and kitchen staff," DuVal said.

DuVal sits on the board of directors of SOS, a nationwide network of restaurants and high-profile chefs like Wolfgang Puck, Jeremiah Tower, and Alice Waters, who team to fight hunger through food banks. Four-year-old SOS, which has more than 600 member restaurants, worked with DuVal to organize the Thanksgiving dinner.

In California the business of food charities has become considerably less problematic since the state legislature passed a new law limiting the handling, distributing, and serving liability for food donors.



**From left, Ciao chef Albert Paris; Steven Harris-Barton and Robert Tobin of Central City Hospitality House; and Spectrum Foods president Charles Frank show off a check for $2,000 that Ristorante Ciao raised for the homeless.**

Thanks to the law, "Second Helpings," a new joint project of the San Francisco Professional Food Society and the Second Harvest Food Bank of Santa Clara and San Mateo counties, estimates that it can salvage more than 1 million pounds of surplus perishable foods yearly from local restaurants. Second Helpings sends its trucks and voluntary personnel to collect donations of food from participating restaurants, caterers, and institutions for delivery to food banks, soup kitchens, and shelters for the homeless.

"We put together the Second Helpings program to galvanize local restaurateurs and institutional food-service operators to salvage surplus food," said Chef Bradley Ogden of San Francisco's Campton Place hotel.

MacArthur Park, the four-unit, white-tablecloth chain operated by the Spectrum Foods' arm of American Restaurant Group, and the Princeton Inn restaurant in San Francisco also took part in Second Helpings.

Meanwhile, "Next Serving," the follow-up to last year's "First Serving," fed 5,000 hungry people earlier

*(See **CHARITIES**, page 4)*

# Four bidders jockey for revived Pioneer Take Out

By Richard Martin

LOS ANGELES — At least four rival bidders are lining up to buy the struggling but somewhat revitalized Pioneer Take Out Corp. fried-chicken franchise system at a Jan. 9 hearing in federal bankruptcy court here.

The chain's founder and former president, H.R. "Rick" Kaufman, is expected to be among the field of prospective buyers, along with Intercoastal Properties, a Woodland Hills, Calif., firm whose earlier agreement to purchase 200-unit Pioneer failed to win court approval in October.

Pioneer, whose seriously faltering sales have rebounded sharply since humorous, anti-Kentucky Fried Chicken advertisements began to air on television last June, could fetch between $8 million and $10 million for its creditors, according to Tom Wheelock, Pioneer's interim president.

His West Los Angeles "crisis management" firm, Mellert Hankin Inc., was hired to run the troubled chain by court-appointed trustee Jeffrey C. Coyne last January.

The court stripped Kaufman of control when he filed for Chapter 11 protection after repossessing Pioneer from a buyer group that had operated the chain for only a few weeks. The seizure by Kaufman followed a dispute with the buyers over purchase payments that were withheld because of his alleged misrepresentation of Pioneer's debts.

At the time of Kaufman's bankruptcy filing in January, Pioneer placed its assets at $40.7 million and its debts at $34.9 million. However, an audit report last year, ordered by state regulators who had temporarily suspended Pioneer's franchise-sales license because of apparent insolvency, put the chain's more probable net value in the $3 million range. The report raised doubts that Pioneer could ever recoup some $5.3 million in loans to Kaufman's holding company, Transpacific Industries Corp.

Kaufman initially sold Pioneer last December after the franchisor was hit with a $25 million class action suit by franchisees who alleged he had fraudulently diverted their sublease rent payments, sales royalties, and advertising fees into unrelated business ventures. The plaintiffs said those diversions caused them to face frequent threats of eviction and rendered Pioneer incapable of providing contracted support services.

Backed by loyal franchisees, Kaufman denied the charges and countersued for $40 million. The suits are still awaiting trial, but a tentative settlement agreement is pending, a source said.

More recently Kaufman sued trustee Coyne over the disputed rights to Pioneer leases executed before 1983. An attorney for Coyne said Kaufman claims those leases should not be put up for competitive bidding next month along with Pioneer's trademark, franchise rights, and other store leases.

The court is expected to rule on Kaufman's suit when it selects a buyer whose overall terms are most favorable to Pioneer's creditors.

Pioneer's foremost secured creditor will itself be a hopeful bidder for the chain. Intercoastal Properties, an affiliate of the Malibu Grand Prix chain of self-drive miniature race tracks, lent Pioneer $500,000 as a prelude to its unsuccessful acquisition attempt this summer.

Although Intercoastal had obtained purchase approval from Pioneer's franchisees and creditors in July, the chain's unsecured creditors withdrew their support before an October court hearing. An attorney for trustee Coyne said the creditors backed down because of Intercoastal's plan to forgive certain debts owed by franchisees and because the would-be buyer's recovered court costs would further subordinate unsecured claims.

Wheelock described the Jan. 9 court hearing as a "simplified" sales process without preferred bidders, giving any party the opportunity to "overbid."

Among next month's anticipated field of bidders for Pioneer, including Kaufman and a Beverly Hills investment group, only Intercoastal Properties has publicly hinted at its plans for the chain.

"We have a fairly definitive gameplan," said Intercoastal's Rob Wilson. "We intend to preserve all the licensees and as many company stores as are left when we hopefully take control. Then we'll consolidate our position and begin an expansion program."

MARKETING

# McD ad awareness dips in NRN Adtrack poll

## *Decline comes despite Muppet Babies promo*

**By Bill Carlino**

LINCOLN, Neb. — McDonald's, which jumped three percentage points in top-of-mind advertising awareness during the October Nation's Restaurant News Adtrack Poll, suffered a two-point decline in November.

McDonald's dip in awareness came despite a media blitz touting its new plush Muppet Babies toy promotion.

Company officials could not be reached for comment.

McDonald's still remained far ahead of the pack in overall recall. The hamburger giant was named by 49 percent of the consumers who were asked, "Of all the fast-food advertising that you have read, seen or heard, which advertising first comes to mind?"

Designed to gauge advertising effectiveness, the monthly NRN Adtrack Poll surveys a sample of 1,000 consumers across the country.

Meanwhile, Hardee's, which was buoyed by a national television commercial highlighting its California Raisins promotion, climbed two percentage points to grab a total of 6 percent of consumers recalling Hardee's advertising first.

In November the 3,000-unit hamburger chain rolled out a $5 million promotion offering doll-size replicas of the California Raisins characters and augmented it with a 30-second commercial created by the New York shop of Ogilvy & Mather. The spot ran in an estimated 90 markets.

It marked the third California Raisins promotion staged by Hardee's in 1988. In previous California Raisin campaigns, Hardee's offered figurine replicas. For November's marketing push, Hardee's upgraded the figurines to bendable plush dolls.

"Hardee's wanted its TV spot to be different from other commercials featuring the California Raisins," said a representative for Ogilvy.

"In the past the Raisins on-screen movement was done using the Claymation process," the spokesman said. "But the current commercial employs 'Animatronics,' a stop-action photographic process using mechanical models."

The 30-second spot sees the Raisins, who are lounging in a pool. One character fields a telephone call from another character called Mr. Hardee. After listening for a moment, the former replies excitedly that the Raisins would be glad to go back on tour.

The group then boards a pink convertible bearing the Hardee's slogan "We're Out to Win You Over" emblazoned on the trunk. The commercial features the first female Raisinette."

Burger King, which is still floundering with the "We do it like you do it" campaign of N.W. Ayer, remained stagnant at 13 percent for the second consecutive month.

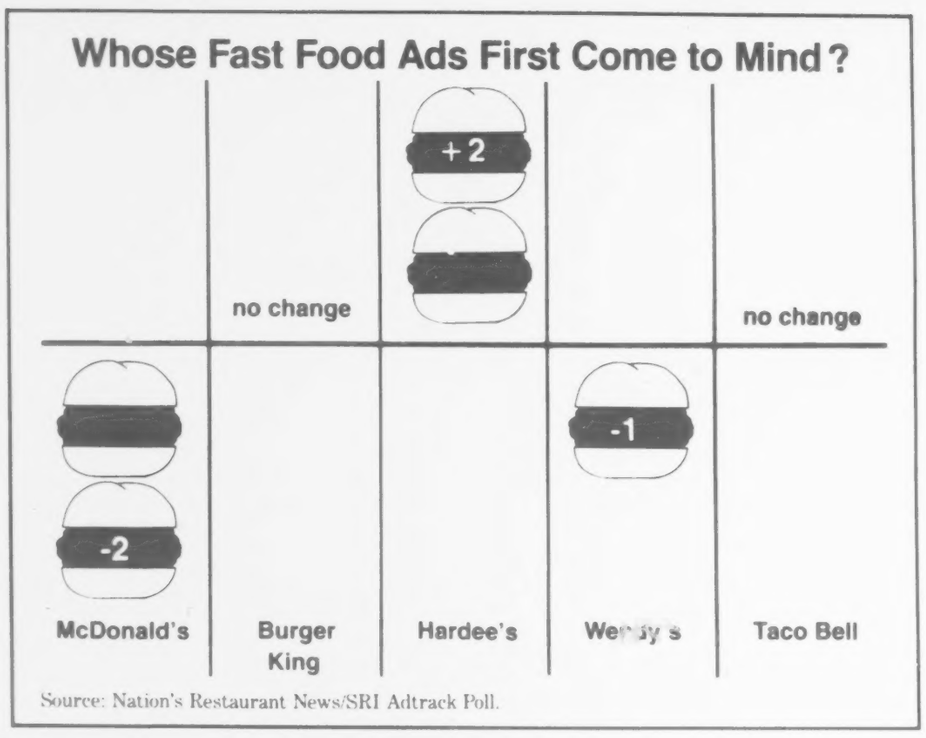
Rumors circulating throughout the industry say the burger giant is considering an agency switch for its $215 million creative account.

Wendy's, which had alternated two-point gains and losses during the past four surveys, slid for the second consecutive month, to 6 percent, while Taco Bell remained steady, at 2 percent.

The 6,000-unit Pizza Hut climbed a single-percentage point to snare 2 percent of survey participants.

Pizza Hut's rise was attributed to a television campaign created by BBDO-Worldwide.

The spots highlighted the chain's co-promotional licensing agreement with J.C. Penney department stores and the newly released movie "Land Before Time."




Source: Nation's Restaurant News/SRI Adtrack Poll.

## AD WATCH

**It's Easy to Win!**

**Come into Rax today and get your lucky number booklet plus valuable Rax coupons. Each week for four weeks, you could win an exciting Grand Prize or a delicious food prize! Just check your lucky number with the winning numbers posted at participating Rax Restaurants each week during the sweepstakes period. If your number matches ours, you're a winner!**

**Get Your Lucky Number Coupon Booklet Now at Rax! Hurry, supply is limited! Lucky Number booklets distributed through Dec. 18, 1988.**

1. No purchase necessary. Must be 18 years or older to win. Lucky Number Booklets distributed through December 18, 1988, or while supplies last.
2. Lucky Number coupon booklets can be obtained by sending a self-addressed stamped envelope to "Lucky Number Contest," c/o HMS, Inc., 14th Floor, 10 West Broad Street, Columbus, Ohio 43215. All requests must be received by close of business Dec. 13.
3. See further official game rules and details at participating Rax Restaurants. Void where prohibited by law.

**'Tis better to win than receive:** **That's the hope of Rax customers as the 500-unit chain kicks off its annual lucky number holiday sweepstakes. This year's contest, titled "Rax To Riches," features prizes ranging from discounted Rax coupons to a trip for two to Europe via the supersonic Concorde. The ad appeared as a point-of-purchase promotion in all Rax units and local print ads.**

*"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

## NRN MARKETING DIGEST

### Whataburger rolls football promo

CORPUS CHRISTI, Texas — Whataburger, the 400-unit fast feeder here, will send 20 people to Super Bowl XXIII in Miami as part of 10 grand prizes in its $1.6 million "Snap-Action Giveaway" contest.

Slated to run through December, Snap-Action Giveaway is a point-of-purchase card promotion in which customers scratch off prize "windows," including one showing one-half of an authentic Super Bowl ticket. If someone scratches off the matching ticket half on a subsequent card, he or she becomes an instant Super Bowl grand prize winner.

Snap Action Giveaway will be featured throughout radio, television, and newspaper campaigns. Runner-up prizes include $1,000 in cash and Whataburger gift certificates.

### Resorts taps ad agency

NASSAU, Bahamas — The Resorts International hotel complex here has selected Robinson, Tesawich & Pepperdine, an Orlando, Fla.-based advertising and marketing company as the agency of record for its $3 million account.

The complex, which game-show tycoon Merv Griffin recently acquired, is the largest resort complex in the Caribbean. The Resorts portfolio includes the 1,200-room Paradise Island Resort and Casino, the 71-room Ocean club, as well as the Paradise, Paradise Beach Resort, a 100-room facilty.

### Power company supports cafe

DULUTH, Minn. — Minnesota Power, a local utility company, has donated $1,000 in support of the Special Tea Cafe, an instructional restaurant that trains mildly retarded students for jobs in the food-service industry.

Currently nine students are enrolled in the school, which is located in the Duluth YWCA. The Special Tea Cafe features breakfast, sandwiches, and soups, all of which are cooked and served by the students.

More than 70 percent of the students who completed the program last year are employed in local restaurants.

### Dirks named Hilton marketing vp

BEVERLY HILLS, Calif. — Robert E. Dirks has been named vice president of marketing programs for Hilton Hotels Corp.

An employee of Hilton Hotels since 1972, Dirks will oversee the company's guest rewards program, leisure marketing concepts, and customer service.

# FOCUS | VIEWPOINT

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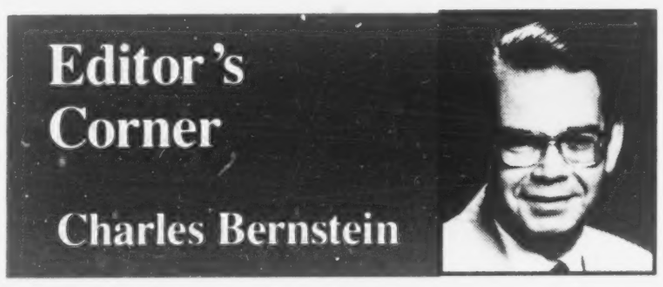
# Chili's challenge: no diversification

Chili's phenomenal success is detailed in this issue. It deservedly is the chain of the year, with a steady growth record in units, sales, and profits. But whether it will be the chain of the future depends on whether it sticks to the basics and eschews the diversification trap.

Chili's has come a long way in the five years since chairman Norman Brinker took it over from founder-entrepreneur Larry Lavine, who had set the stage for an eventual winning scenario. Lavine never really envisioned wide menu expansion, a national chain, or any diversification push beyond his beloved Chili's.




In some ways Chili's is an extension of "Brinker's Boys," as his protégés were termed at Steak & Ale, which he founded in 1965. Chili's president Ron McDougall and new strategic planning vice president Lane Cardwell are S & A alumni. A spirit of camaraderie, challenge, and achievement pervades the halls of Chili's at all levels.

Nevertheless, we find it hard to grasp why Brinker and his strategists are still focusing on diversification and spin-off ideas. Why not concentrate all strategic, human-resource, and financial efforts on the one concept that seems almost a sure winner, Chili's?

Brinker indicates he made a mistake in the Taco Cabana joint venture deal. The idea was to develop a chain of Mexican cafes that conceivably could rival Chili's own full-service dinner-house success.

The partners were too intent on rolling out units as fast as possible, and the concept never jelled for Brinker despite Taco Cabana's apparent recent victory in a court suit against competitor Two Pesos.

Brinker also halted development of a Flyer's Island Express drive-thru hamburger chain after opening six units. The concept did not mesh with the full-service niche that he has targeted.

It is perfectly understandable that Brinker would experiment with some of these ideas for a while. "This business has to be fun, and you've always got to be trying new things" is his philosophy.

He has gradually and brilliantly introduced menu nuances each year to widen the market appeal of Chili's. He built on its original status as a hamburger chain and molded it into a leader of the casual restaurant segment of Bennigan's, Houlihan's, T.G.I. Friday's, and Houston's — without the emphasis on drinks.

Brinker added Tex-Mex items to the menu a few years ago and more recently launched a seafood platter and began to test a grilled-tuna salad and a rib-eye steak. All this would give Chili's even more appeal.

Furthermore, he has seasoned franchisees with numerous sites. Dunkin' Donuts' Robert Rosenberg in New England and Dennis Riese in the New York area are prime examples.

Yet Brinker and his team continue to search for one or two more casual dinner-house chains that can be molded into full-service powers offering an alternative to Chili's. They are eying a few key chains on a potential list that once numbered 2,700.

We feel it would make far more sense for Chili's to exercise its leadership in the casual dinner-house segment by focusing all efforts on continued menu refinements for maximum appeal. With 157 units now, it has the managerial and financial capacity to add 50 more units annually for the next several years. It also has plans for a massive overseas effort in countries where its casual concept would be particularly attractive.

Frequently, chains that seem headed for success have moved toward an eventual tailspin by taking their eye off the ball and diversifying into related concepts. The diffusion of resources needed for such ventures inevitably undermines the original concept.

At Steak and Ale, Brinker finally felt he had to develop an alternative to steak, and he came up with Bennigan's. Now he has Chili's going head-to-head with Bennigan's in many markets. But he should not have to develop an alternate to Chili's, which still has immense untapped potential.

We simply don't buy the idea that once Chili's hits 300 or 400 domestic units, it will be saturated in the U.S. and will have nowhere to grow; hence, the alleged need for an alternative.

The only casual restaurant chain growing at the same pace as Chili's is General Mills' Olive Garden Italian dinner houses. Why would Brinker do anything to dilute the clear-cut niche he has established?

Imasco U.S.A. and its Hardee's chain apparently learned the lesson that a diversified move (albeit into a different segment) makes no sense when one has a winning chain in the first place. Imasco now seeks to sell Grisanti's Italian dinner houses.

Of course, McDonald's doesn't need any allied concept, although the chain once dabbled with pie shops and other ideas on the side.

It is fine to try new ideas as long as they don't run away with themselves. The more one concentrates maximum forces in a specific area, the higher the chances of success.

Rather than a constant search for feasible related concepts, what we hope to see from Chili's in the next few years is a focus on building the basic nuances that have made it shine: full-service in just 20 to 40 minutes per meal from an astutely trained staff able to turn the tables 12 times daily.

## LETTERS

### *Grass-roots politics work for food-service industry*

To our nation's restaurateurs:

Thank you for your participation in the industry's grass-roots program.

Last winter, during my term as president of the National Restaurant Association, I challenged you to become actively involved in the industry's grass-roots effort. At that time lawmakers were attempting to push through Congress a series of bills that would have devastated our industry.

Among these were an increase in the minimum wage, mandated parental leave, and mandated health benefits, all of which would have had detrimental effects on even the most prosperous food-service operation.

The response to my call was overwhelming. More than 102,000 food-service operators sent messages to Congress through the National Restaurant Association, and NRA members attended more than 560 meetings with their congressmen and senators. As a result of this grass-roots political action, the labor agenda was blocked; not one of the above- mentioned bills became law.

It is more significant that our industry has proved that grass-roots political activity *does* work. We joined together to voice very legitimate objections to proposed laws, and our legislators listened.

It is our responsibility to inform Congress about the importance of maintaining the health, viability, and profitability of the food-service industry and the contribution that this industry makes to employment, taxes, and the general welfare.

I am very proud of all of you, and I congratulate the food-service industry on its perseverance and determination to use the political system in order to control its own fate.

However, we must not rest on our laurels. When the 101st Congress convenes in 1989, the industry must be poised for action to ensure that all proposed new laws are fair and do not place an onerous burden on any of us.

Once again, I thank each and every one of you who came together and supported our industry during a most difficult time in 1988, and I urge you to support the current National Restaurant Association chairman and president Jim Peterson in what is certain to be an ongoing battle.

**— Michael J. Grisanti**
*past chairman and president*
National Restaurant Association
*president*
Grisanti's Inc.
Louisville, Ky.

### *Luckey: a missed friend and a giant among peers*

Editor, NRN:

Thank you for the extraordinary article about the passing of our friend, Bob Luckey, in NRN on Oct. 17, 1988.

It would be impossible to adequately describe in words the Bob Luckey that we all knew and loved, but the article relayed his message well.

Bob was a giant among his peers, and all will miss him!

**— Bob Ross**
*president*
Olde World Cheese Shop Inc.
South Pasadena, Fla.

FOCUS | NRN

# Unsung heroes of the Culinary Olympics

By Ken Frydman

FRANKFURT, West Germany — Most of the attention and critical acclaim at the recent Culinary Olympics here was lavished on the official national and regional teams representing 30 nations.

However, thousands of chefs were performing outside the spotlight in the open competition and also earned gold, silver, and bronze medals in cold food buffet, hot-food-displayed-cold, hot restaurant meal, and pastry competitions.

For instance, chefs from the Sheraton Corp. won a total of 46 open competition medals. Awards presented to Sheraton's Culinary Olympics team included the "1988 Gold Prize" and the "Gold with Distinction" for a perfect score. In addition, Sheraton chefs took home 22 gold medals, 13 silver medals, and nine bronze medals.

Sheraton's global team, from 17 countries on five continents, represented company hotels in Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Egypt, Great Britian, Hong Kong, Japan, Kuwait, Morocco, Singapore, the United States, and West Germany.

America's chapter of the Chaine des Rotisseurs, one of the world's oldest and largest gourmet societies, fielded a 10-man team for the Culinary Olympics. That team, headed by team captain Noel Cullen, director of operations for the culinary arts division of Johnson and & Wales College in Providence, R.I., won 13 gold, 10 silver, and two bronze medals and received a gold and silver plaque for its "overall outstanding achievement."

Michigan's team took two gold cloverleafs and nine gold medals, thus winning more gold medals than did any other U.S. single-state team. Three members of Michigan's team were also awarded the event's highest distinction, a gold medal with distinction. The "perfect" chefs were Joseph Beato, executive chef at the Henry Ford Hospital in Detroit; Matthew Naughton, former chef at the Orchard Lake Country Club in Orchard Lake; and Mark Kuzma, executive chef of the Somerset Inn in Troy.

Meanwhile, the New York team was not to be outdone. The Big Apple contingent won the grand prize in gold, the grand prize in silver, and 25 other medals.

However, not everyone competing in the Culinary Olympics was a professional chef. The six-person student culinary team from Johnson & Wales won the gold cloverleaf award in the restaurant plates category. The university's faculty and administration, which competed on senior regional teams, brought home a Gold Grand Prix award, five gold medals, a gold cloverleaf, a gold plaque, two silver medals, and a bronze one.

## Results of Independent American teams in the Culinary Olympics open competition

(Teams listed are those which registered through the American Culinary Federation)

| | Gold Clover Leaf | Gold | Silver | Bronze |
|---|---|---|---|---|
| New England Regional Culinary Team | 7 | 12 | 2 | 1 |
| U.S. Army Culinary Arts Team | 10 | 9 | 2 | 1 |
| Walt Disney World Culinary Team | 0 | 13 | 2 | 0 |
| Chaine des Rotisseurs Team | 1 | 12 | 10 | 2 |
| New York Culinary Team | 6 | 5 | 9 | 5 |
| Michigan Culinary Team | 0 | 10 | 0 | 0 |
| Les Toques Blanches Internationale USA | 1 | 6 | 10 | 9 |
| Pittsburgh Regional Culinary Team | 3 | 4 | 4 | 0 |
| ACF Western Regional Team | 1 | 2 | 14 | 11 |
| Oregon Chefs de Cuisine Society | 0 | 3 | 5 | 7 |
| Big D Texas Culinary Team '88 | 1 | 2 | 5 | 2 |
| Grand Rapids Junior College | 0 | 2 | 4 | 5 |
| Lodge of the Four Seasons Team | 0 | 1 | 5 | 0 |
| Natural Foods Team | 0 | 0 | 2 | 0 |
| Washington State Olympic Team | 0 | 0 | 1 | 3 |
| Johnson & Wales Student Team | 6 | 0 | 0 | 0 |

Source: The American Culinary Federation

## *Sheraton contest winners travel to Culinary Olympics*

BOSTON — The Sheraton Corp. did more than send a team of its chefs to the recent Culinary Olympics in Frankfurt, West Germany.

Four winners of the hotel company's "Culinary Festival Sweepstakes" received all-expense-paid trips to the Culinary Olympics. The sweepstakes winners were Patricia Patterson of Dallas; George Karabatsos of San Jose, Calif.; Pamela Butler from Houston; and James Lopez of New York. Bernard Juban, food and beverage director of the Sheraton Tucson El Conquistador hotel, won the trip for producing the contest's best food display.

Sheraton's 35 Culinary Olympic chefs represented 17 countries and five continents. They won 46 medals at the culinary arts competition, including 22 gold.

Below: William Higgins, general manager of the Palace Hotel in Philadelphia, congratulates Stacy Radin, pastry chef and member of the US culinary team that represented the United States in the Culinary Olympics. Radin won a 'gold distinction' and two gold medals in the individual pastry competition. She was one of two women on the 14-member team.

Above: The student culinary team of Johnson & Wales University displays the Gold Clover Leaf medals won at the Culinary Olympics. The students are flanked by Johnson & Wales' gold medal-winning faculty members. From left are: George O'Palenick, chef instructor, member of the Chaine des Rotisseurs USA team; Lars Johansson, director of the University's International Baking & Pastry Institute, member of the New England Regional ACF Team; students Doug Alley, Suzanne Finkele, Christine Stamm, Danella McWilliams, Bill Erlhenbach, and Wendy Geiler, captain; Noel Cullen, director of operations at the Culinary Arts Division, Student Culinary Team manager and captain of the Chaine Team; and George Higgins, chef instructor and New England ACF team member.

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# ANOTHER TOUGH YEAR

## *Economy dashes hopes for industry turnaround*

**By Peter Romeo**

NEW YORK — A softening economy will quash the food-service industry's chances of reversing a three-year sales slowdown during 1989, spurring many operators to look overseas for growth opportunities, according to the National Restaurant Association.

The new year will be particularly taxing for full-service restaurants, ice-cream outlets, and most types of not-for-profit feeding facilities, the association predicted in its 1989 Foodservice Industry Forecast.

Commercial places face the prospect of a 3.2-percent spurt in food costs, a 4-percent jump in payroll expenses, and mounting consumer demand for value that will hold menu price increases to

*(See **SALES**, page 66)*

**Outlook '89**
**NRA forecast details — F7**
**The voices of the industry — F10**
**1988: The year in review — F17**
**Focus follows page 22**

## *NRA plans new tactics to battle key legislation*

**By Peter Romeo**

NEW YORK — By throwing support behind selected labor-oriented proposals before the industry's usual congressional foes draft theirs, the National Restaurant Association hopes to muffle cries for minimum-wage hikes, expanded health benefits, and expanded leaves for working parents.

"We're going to expand our legislative efforts from being just on the defensive to being on the offensive," said NRA president Jim Peterson at a press conference here.

As part of that switch to a proactive stance, he said, the NRA will "seek repeal of the FICA tax on tips" and "will fight to restore" the 100-percent tax deduction for meals where business is conducted.

*(See **NRA**, page 66)*

NRN Photo

**In the new Rosebud Cafe in Chicago, chef Ramon Aguirre, left, and restaurant owner Alex Dana prepare a pasta dish, which is made in-house daily.**

## *New crop of Chicago trattorias meets hunger for casual dining*

**By Carolyn Walkup**

CHICAGO — Casual Italian restaurants are rapidly filling a niche here for midpriced, non-intimidating, familiar ethnic dining.

At least a dozen such places have opened in the metropolitan area here within the past year, ranging from small storefronts to designer-trendy urban spaces. All share the characteristics of basic Italian scratch cooking, fresh ingredients, and moderate prices.

"We thought there was a void in this market," said David Houle, co-owner with his wife, Dee DeCarlo, of Bella Luna in the West Loop, the most upscale of the new breed.

"Ten years ago in Chicago, there were one or two fancy Italian restaurants and the ones serving red-sauced immigrant food," Houle said. "There needed to be something in between."

*(See **TRATTORIAS**, page 66)*

## Failed deal perils H&H-Riese plan

### *Bojangles' transaction on hold*

**By Rajan Chaudhry**

NEW YORK — The collapse of Horn & Hardart Co.'s deal to sell its troubled Bojangles' chain is the latest wild card dealt in the game between the company and the Riese brothers.

Horn & Hardart's failure to close a deal with Greenville, S.C.-based Carabo, the largest Bojangles' franchisee, comes at a critical point in its dealings with Automatic Partners, the investment group led by Irving and Murray Riese, New York restaurateurs and developers.

The Riese group, which

*(See **BOJANGLES'**, page 4)*

**FOOD WATCH**

### *The inaugural luncheon*

WASHINGTON — When George Bush is inaugurated as the 41st president of the United States on Jan. 20, he will be served an Inaugural Day lunch similar to the one requested by the 16th president, Abraham Lincoln.

The Willard hotel will incorporate into its menu the dishes Lincoln asked for in 1861: mock turtle soup, deviled crab, Maryland crab, baked shad with roe soufflé, corned beef and cabbage, and blackberry pie.

Two other dishes that day will be tributes to the Jeffersonian White House: asparagus with Virginia boiled dressing, and blanc mange — almond flour with milk and eggs covered with Virginia Bourbon and apricot sauce.

"We expect 300 guests in our ballroom for that lunch, including the new president," said Dennis Jaricot, executive chef of the Willard hotel, which reopened in August 1986 after renovations.

**— Ken Frydman**

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Vol. 23, No.1 Jan. 2, 1989

# NEWS DIGEST

## NYSRA scrambles to defeat pesticide posting rules

ALBANY — The New York State Restaurant Association was scrambling during the last weeks of 1988 to scotch a new regulation requiring restaurants and hotels to alert patrons when the places are being fumigated with pesticides.

The requirement, which was scheduled to take effect Jan. 1, mandates that warning signs be posted 48 hours before the extermination efforts actually begin.

The NYSRA and other trade groups have challenged the measure in court. They warn that the regulation was the brainchild of national consumer-advocacy groups that intend to crusade for their cause in other states.

## Louisiana nabs restaurants for illegal redfish purchases

NEW ORLEANS — The State Wildlife and Fisheries department said undercover game wardens have nabbed employees of several prominent restaurants here for buying and serving illegally caught redfish and speckled trout.

Posing as fisherman, the agents offered to sell the fishes to restaurants at a time when harvesting of redfish and speckled trout in New Orleans is expressly prohibited. The offer was accepted by employees of such Big Easy establishments as Commander's Palace, Cafe Vieux Carre, and Sportsman's Paradise, the Fisheries department said.

The seafood bans were enacted by Louisiana last year to stem depletion of the state's once-plentiful supply of redfish and speckled trout. But many Cajun restaurants have kept redfish on their menus by buying the fish from Mexico.

## Former '21' staffers win age-discrimination suit

NEW YORK — Fifty former "21" Club staffers have won a $1.2 million age-discrimination suit against the restaurant's owners.

The waiters and bartenders, whose ages range from 55 to 60, filed the suit following the landmark's four-month, $10 million renovation in 1987. The group alleged that Marshall Cogan, who is the principal owner of "21," had promised to rehire the plaintiffs after the upgrade but gave their jobs to younger people instead.

Ten members of the group also won their jobs back.

## London's Peter Langan dies from fire injuries

LONDON — Flamboyant London restaurateur Peter Langan, whose celebrity-studded Langan's Brasserie spawned a Los Angeles branch last year, died here last month as a result of injuries sustained in a fire at his home in October.

Langan, who was 47, never regained consciousness after he was burned in the fire, which police said he might have started intentionally after a domestic dispute with his wife, Susan. News reports said that she broke her ankle when she jumped from a balcony after the blaze erupted.

Irish-born Langan, who created several restaurant concepts, was best known for Langan's Brasserie, which he co-founded with actor Michael Caine and chef Richard Shepard in 1976.

## Jerry's sells Jack's back to Jordan Fainberg

BALTIMORE — Jerry's Systems, operator of the Jerry's Sub Shops chain, has agreed to sell its secondary sandwich concept, Jack's Corned Beef of Lombard Street, back to Jordan Fainberg.

Jerry's acquired the 14-unit Jack's system two years ago from Fainberg, who has served since then as Jack's chief operating officer.

Jerry's and Jack's agreed that both chains would fare better if they operated as separate companies instead of sharing resources.

## *Pillsbury agrees to be acquired by Grand Met*

Stripped of its poison-pill shield, Pillsbury Co. has agreed to be acquired by Grand Metropolitan PLC for a sweetened bid of $66 a share, or $5.7 billion.

The deal — which ended Pillsbury's 11-week struggle to remain independent — was struck just hours after a Delaware court rejected the company's shareholder rights plan, a defense designed to make a takeover prohibitively expensive for the acquirer.

Ruling against the measure, Judge William Duffy said the Grand Met offer was reasonable and the British conglomerate did not pose a menace to the company, as Pillsbury had maintained. The poison pill had blocked Grand Met from buying any of the 90 percent of Pillsbury stock tendered.

Grand Met indicated it plans to keep Pillsbury's Burger King chain. The chain's vocal franchise community had been backing Grand Met in opposition to Pillsbury's takeover defense plan to spin off Burger King as a highly leveraged freestanding chain owned by Pillsbury shareholders.

Meanwhile, liquor license laws will likely force Grand Met to sell Pillsbury's Steak & Ale and Bennigan's chains.

Grand Met, which launched a surprise $60-a-share bid for Pillsbury in October, sweetened its offer to $63 a share about one week before the two sides agreed on the higher $66-a-share price. Pillsbury had evaded its suitor for two months before sitting down with Grand Met last month.

## Copeland extends tender offer for Church's

NEW ORLEANS — A. Copeland Enterprises extended its $8-per-share hostile tender offer for Church's Fried Chicken to Jan. 5 so that it can comply with a district court order requiring that it provide additional disclosures in conjunction with its offer.

Meanwhile, an appeals court here has ordered Copeland, owner of Popeyes, to give five days' notice before buying Church's stock.

Copeland said 44 percent of Church's stock had been tendered.

## Buffet and founder form Northwestern joint venture

EDEN PRAIRIE, Minn. — Buffet Inc., operator of the Old Country Buffet smorgasbord chain, said it is entering into a joint venture with president and founder C. Dennis Scott to develop units in Oregon and Washington.

After a new, jointly owned concern is formed for that purpose, Scott will relinquish his posts at Buffet to become chief executive of the new venture.

However, he will remain on Buffet's payroll as director of research and development, assisting the chain in the development of new menu items and operating procedures.

The plan calls for Buffet to own 40 percent of the joint venture. Scott will be the concern's principal owner.

## Levenson decides against LBO of Furr's-Bishop's

LUBBOCK, Texas — Michael Levenson, chairman and chief executive of Furr's-Bishop's Cafeterias L.P., has informed the company's board that he has decided not to launch a takeover of the cafeteria operator.

Meanwhile, the board said it is still weighing the possibility of converting Furr's-Bishop's, a limited partnership, into a corporation.

Shortly after the board initiated its investigation of that move, Levenson announced that he would assess the option of buying Furr's-Bishop's. He spearheaded an attempt to buy the rival Wyatt cafeteria chain in 1988.

# FOCUS | VIEWPOINT

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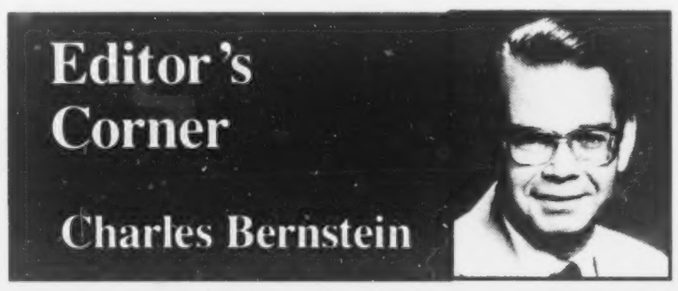
# The newest scapegoats: Consultants

"What is a consultant?"

"A person who borrows your watch to tell time, then charges you dearly for the information."

This bad joke, which has been making the rounds in offices around the country, throws the spotlight on a new industry that has arisen in the last several years: food-service consulting.




To some, a food-service consultant symbolizes a person who is between jobs, just plain out of work, trying something new or making a lot of money by giving advice.

Yet the food-service consulting business has grown because of the increasing complexity of the industry. Experts can help in numerous ways. Menus, design, equipment, operations, marketing, real estate, strategic planning, openings, and closings are among their functions. Saving or renovating a business is often part of the challenge.

More than a few operators take the position that they don't want to deal with consultants, that "nobody knows as much as we do about our own business."

But it may well be advantageous for the operator to use an objective outsider, one who can offer expertise in a specific area.

The first known restaurant consultants were Joseph Baum and George Lang in the early '70s. Some New Yorkers maintain these two and their expanded companies are still the only true food-service consultants who can provide a full range of advice and help, but certainly not at bargain-basement prices.

But literally thousands of consultants with varying degrees of experience and ability have sprung up throughout the nation. Some are quite professional, and others are not. Some have pride in their work and want to give the best to the operator. Others are in the restaurant consulting business for the money only; they could easily be consultants in any business.

It would not surprise us to find that today more food-service executives are employed as consultants than are actually with chains. This is a sign that the food consultant business has reached a point of saturation — even beyond that of the restaurant industry.

This "anyone can be a consultant approach" has unfortunate effects. The bad experiences operators have sustained with the less capable consultants have tainted the reputations of the numerous capable consultants who can really help restaurants.

In a San Francisco talk last August to the Foodservice Consultants Society International, Max's Restaurants president Dennis Berkowitz urged entrepreneurs to "do it yourselves if you want to succeed and don't rely on consultants." He berated "those consultants who tell you about all the elaborate engineering systems and elegant designs you need."

We happen to agree with Berkowitz, who was once a consultant himself and who was not referring to the professional members of the Foodservice Consultants Society in his remarks.

All too many consultants talk restaurateurs into expensive, elaborate designs when a simple decor will suffice — as long as the food and service are superior. But restaurateurs can only blame themselves for this as long as they are lured by the glitz.

As New York's Clark Wolf said in Nation's Restaurant News' recent focus study on consultants, "I'm like a partner to the owner, but at least I can sleep at night." Consultants indeed can walk away from the problems over which restaurateurs tear out their hair.

Consultants are "temporary help," said Los Angeles' Denise Minchella. "Restaurateurs use us only when they need us. We get no salary, no benefits."

We would emphasize the assertion of John Gruner of Grand Rapids, Mich., describing a consultant's job as "pulling together the dream and expectation of the client, to make that happen."

The consultant business is a maligned one, always a convenient scapegoat for anything that ails restaurants. But the ultimate responsibility lies with the operator, and a capable consultant can stretch an operator's performance to maximum achievement.

## *LETTERS*

### *Food-service employees deserve better treatment*

Editor, NRN:

Your Nov. 14 has two articles that I believe deserve a closer look by everyone who reads your journal. Both are Focus Viewpoint articles and in some ways appear to be diametrically opposed to each other.

The first, a letter from R.A. Palfreeman, outlined in some detail his opinion of the current state of affairs in the treatment of food-service employees. The points he makes are well seasoned with experience, the perspective gained from a career in the food industry.

I share his views about the general treatment of food-service workers. Having experienced the "profit at any cost" style of employee relations, I also have chosen to leave the industry. Unlike Palfreeman, I worked for a major quick-service chain, one that many believe has an outstanding human resources approach to recruitment and retention of high-quality employees. Sad to say, most of the programs are not implemented.

As Palfreeman pointed out, things haven't changed much over the years. The average quick-service manager is an incredibly overworked individual, constantly pressed to provide operating "efficiencies" regardless of staffing shortages or unrealistic sales budgets. As a multi-unit supervisor, I had to attempt to convince my subordinates that "quality of life" was possible, even though I asked them to to work 60 hours a week.

I finally tired of the hypocrisy. Because of that, I was no longer a "team player," and to my great relief I was terminated.

As every election year rolled around, staff employees of my former company were solicited by mail to "support those candidates that are probusiness." Probusiness apparently meant those candidates that did not support raising the minimum wage and who advocated less restrictive labor and taxation laws.

The turnover rates in all classes of food industry employees is sky rocketing, and yet the industry apparently is still intoxicated by the idea that employees will always be there, ready to be used and abused and underpaid.

The second article of note was one written by Stanley R. Acker, entitled "Enlightened managers can beat labor crisis."

I was particularly interested in the catch phrase "cost effective ways of reducing the rate of voluntary termination." The entire article, though well written, is a prime example of how the industry is responding to the labor crisis: Take a relatively simple problem, artificially complicate it, then take rigorous and expensive steps to correct the problem we have created.

The answer, of course, is too simple for highly educated and paid executives to accept: treat your employees as you treat your guests. No secret there, no exhaustive report prepared by a consultant-augmented blue ribbon human resources panel. Just the obvious truth.

Your guests expect a fair portion for a fair price; employees expect a fair wage for a fair amount of work. Your guests expect to be treated with respect, so do your employees. Your guests return to experience the good food, atmosphere, and hospitable treatment. Why do we find it so difficult to provide a similar experience for our employees?

Acker stated that many managers do not believe that voluntary terminations can be delayed. While that statement may have validity, I can say that for the last several years I have seen managers *at every level of supervision* become very creative in delaying voluntary terminations. Immediate pay raises, premature promotions, promises that can't be kept, a day or two off with pay for the manager ready to "walk" because of the 100-plus hours they put in to cover unstaffed shifts. And now we bemoan the fact that we can't find good employees anymore?

"As ye sow, so shall ye reap."

**— Randy B. Pond**
Olympia, Wash.

### *Spirits industry covered by Hochstein with style*

Editor, NRN:

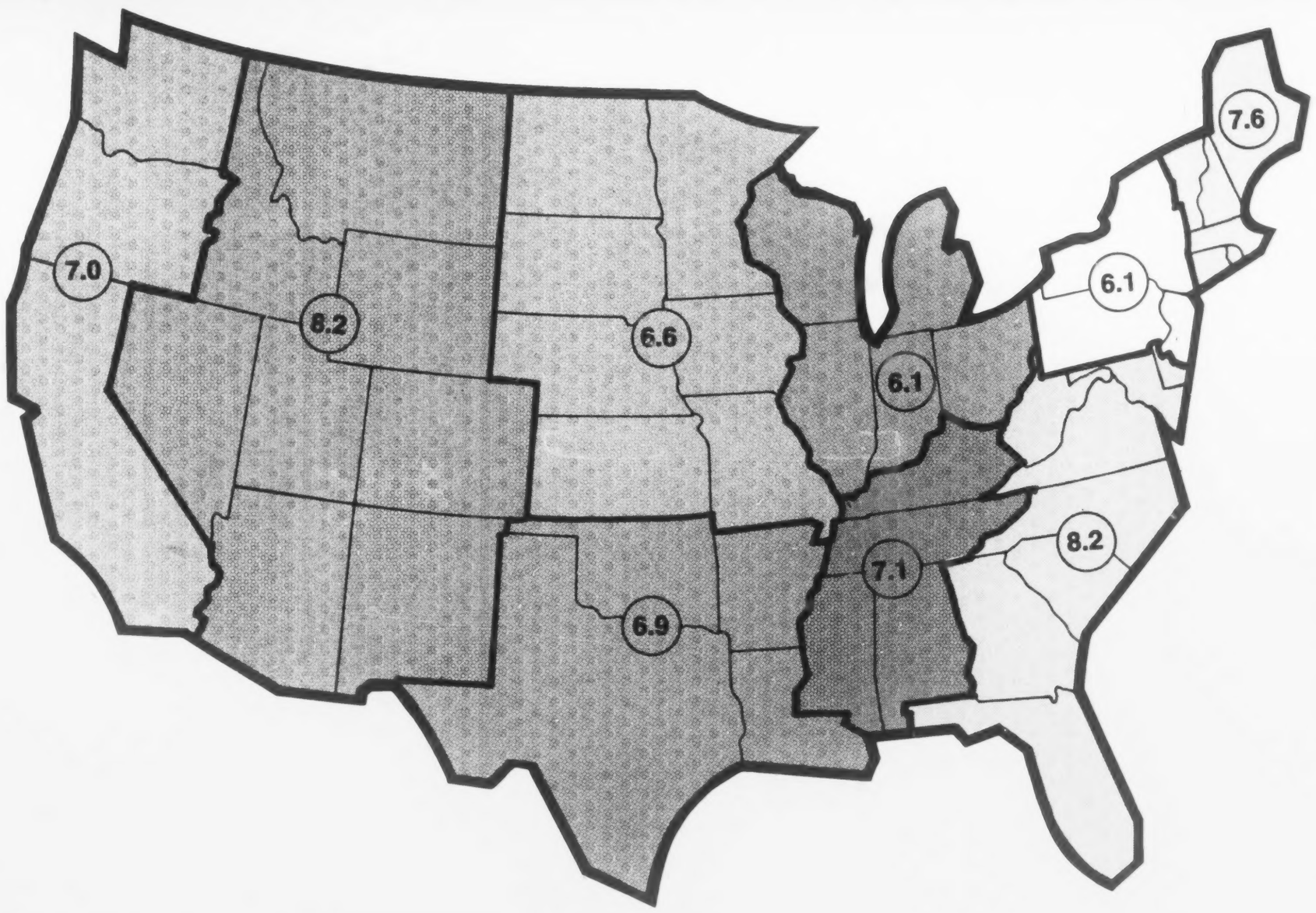
This letter is to tell you how much I enjoy Mort Hochstein's Beer, Wine & Spirits column. The column is upbeat, written with style, and particularly informative.

As one who has an ongoing interest in the alcohol beverage industry, I find Hochstein's column a continuing delight.

**— Marc E. Chafetz**
*president*
Health Communications Inc.
Washington

# FOCUS | OUTLOOK '89

## PERCENT CHANGE IN EATING PLACE SALES, 1988-1989

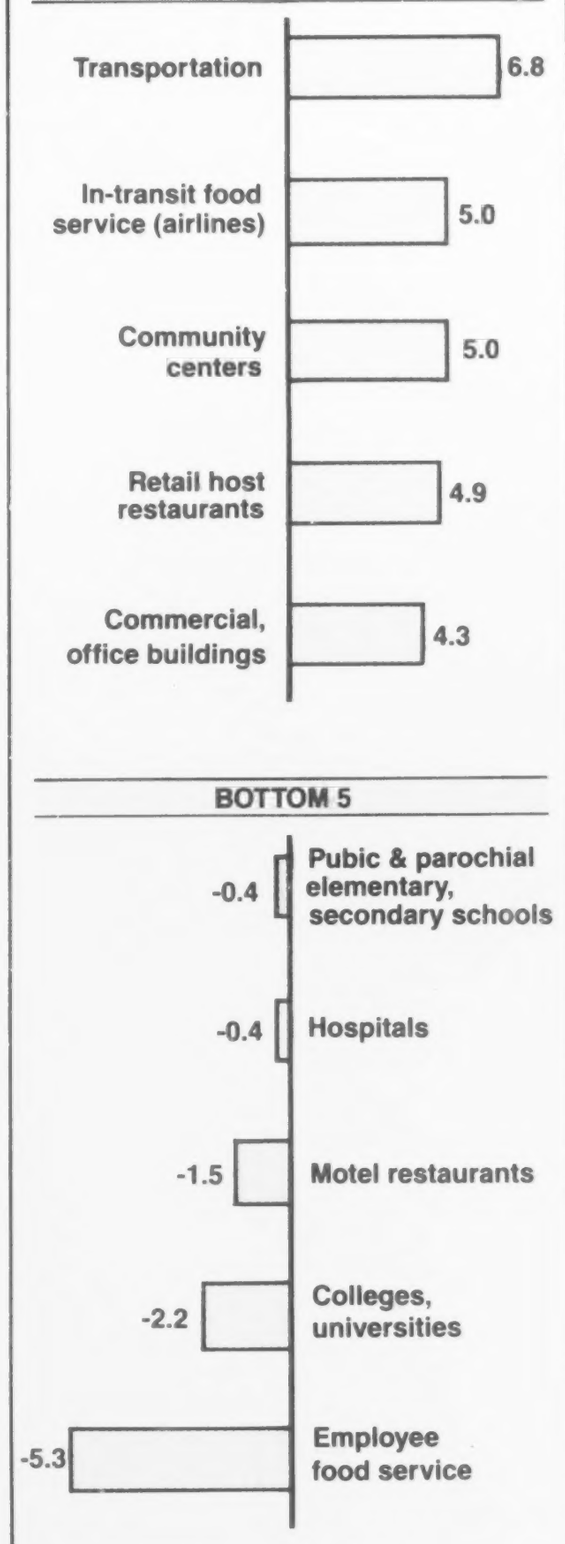



LEGEND

- New England
- Middle Atlantic
- South Atlantic
- East North Central
- East South Central
- West North Central
- West South Central
- Mountain
- Pacific

## WINNERS AND LOSERS

(Ranked by annual % change, real sales)




Source: National Restaurant Association

# NRA: HARD TIMES AHEAD IN '89

*Predicting an uphill battle, the NRA forecasts real sales to rise by a meager 2.2 percent — with institutional and commercial eating places being hit the hardest*

**By Peter Romeo**

The sales slowdown that vexed food-service operators throughout 1988 will worsen this year, holding traffic increases within eating places to the lowest levels since the 1982 recession, according to a National Restaurant Association forecast.

The trade group predicted that total industry sales would rise by 2.2 percent in "real" or inflation-adjusted terms to $227.3 billion, outstripping the projected tally for 1988 by $14.3 billion.

"That's good news," NRA president Jim Peterson remarked at a New York preview of the 1989 NRA Foodservice Industry Forecast.

"The sheer size of this absolute dollar increase," the forecast observed, "presents opportunities for both operators and their suppliers."

"Still, it should be noted that the rate of real growth has moderated," Peterson said.

During 1988, which proved an extremely trying year for most segments of the industry, real sales rose by 2.6 percent, according to the NRA. It pegged the 1987 figure at 2.8 percent.

The trade group attributed the slowdown to a softening of the economy. Disposable income and the Gross National Product — two key indicators of economic health — will both grow at a slower rate in 1989 than they did last year, the association said.

*The NRA attributed the slowdown to a softening of the economy. Disposable income and the Gross National Product — two key indicators of economic health — will both grow at a slower rate in 1989 than they did last year, the association said.*

The prospects are particularly bleak for employer-operated company cafeterias, school lunch programs, and other institutional food-service establishments. The NRA predicted that sales within those places would decline in real terms by 0.1 percent.

However, a 4-percent price hike will soften the blow, boosting nominal sales by 3.9 percent, to $24.2 billion, the association said. It also indicated that the new year would be difficult for commercial eating and drinking places.

Sales within the commercial food-service sector will grow by only 2.4 percent in real terms, compared with the 1988 rate of 2.9 percent and the 1987 figure of 3.2 percent.

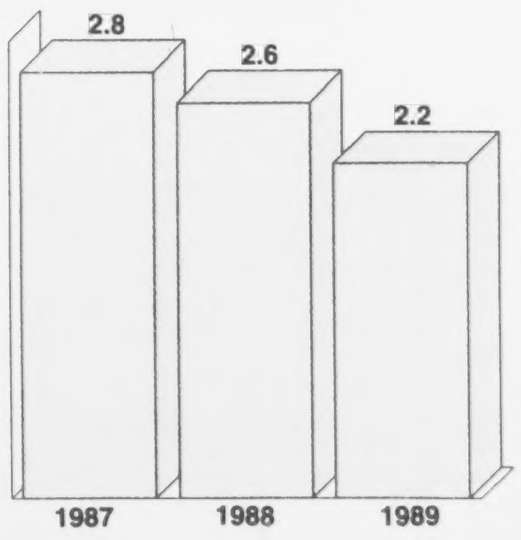
"Eating places," a catchall category that includes most restaurants, will post an inflation-adjusted 2.4 percent rise in sales, to $147.1 billion, the NRA predicted. A 2.4-percent increase in real sales would be the lowest for eating places since 1982, according to NRA data.

The trade group predicted that real sales within all but one type of eating place would grow at a slower rate this year than in '88. The exception is the cafeterias segment, which is projected to boost sales by an inflation-adjusted 2.2 percent, to $4.2 billion.

"The economies of the Southern and *(See **NRA**, page F8)*

## Real Sales Growth

(Total industry)




Source: National Restaurant Association

# FOCUS | OUTLOOK '89

## NRA: REAL SALES TO DIP IN '89

*(Continued from page F7)*

Southwestern states, areas where many of the country's cafeterias are located, are gradually rebounding," Peterson observed.

Full-service restaurants will fare worse than other types of eating places, according to the NRA. It predicted that the segment would nudge real sales upward by only 1.5 percent, to $74.4 billion. The market grew by 1.9 percent in inflation-adjusted terms during 1988, the statistics indicated.

"Competition will be stiff," Peterson commented.

Fast-food places will outpace every other type of eating place in sales growth next year, the NRA said. It forecast real sales growth of 3.6 percent, which compares with the 1988 pace of 4.0 percent.

Peterson, who is also president of the Whataburger quick-service chain, attributed the slower growth to a reduction in the expansion rates of many fast feeders.

"Fast feeders will pay new attention to snack-time meal," he predicted.

The NRA indicated that bars and taverns constitute one of the few industry segments that will grow at a faster pace in real terms next year. The association's numbers call for food-and-beverage sales in drinking establishments to rise by an inflation-adjusted 0.4 percent, to $10.3 billion, compared with the real-growth rate of 0.2 percent logged in 1988.

The NRA predicted that the coming year will be a strong one for contract feeders, with sales likely to rise in real terms by 3.6 percent, to $12.8 million.

"The client base is growing," Peterson explained. "Institutions are abandoning their own food service," creating new opportunities for contractors.

Airline caterers will post a larger real-sales gain than will any other segment, buoying their inflation-adjusted intake by 5 percent, to $1 billion.

*The association predicted that restaurants housed in retail establishments would perform better than most food-and-beverage outlets during 1989. Those specialists will take in $9.6 billion next year, for a 4.9-percent real sales gain, the NRA said.*

"Airline traffic is slated to rise 5 percent in 1989," the NRA noted. "Cuts are not expected in airline food service provided in transit."

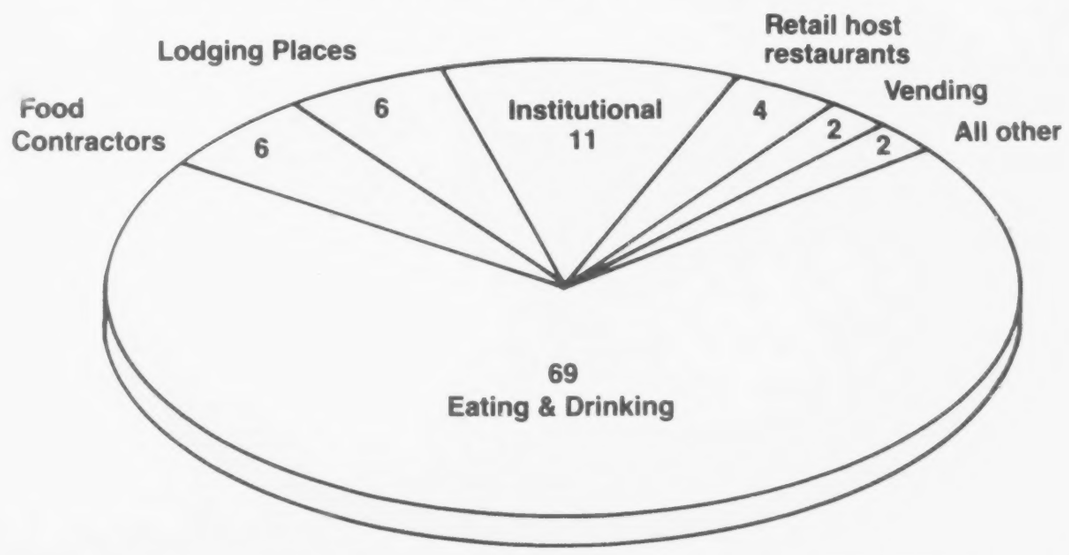
The forecast also noted that higher employment rates will buoy real sales at contractor-operated cafeterias in factories by 4 percent. A surge in white-collar jobs will raise real sales at employee feeding facilities within office buildings by 4.3 percent, the NRA said.

The association predicted that restaurants housed in retail establishments would perform better than most food-and-beverage outlets during 1989. Those specialists will take in $9.6 billion next year, for a 4.9-percent real sales gain, the NRA said.

The statistics were drafted for the NRA by Malcolm M. Knapp Inc., a New York-based research and consulting concern.

### THE INDUSTRY AT A GLANCE

(Segment as % of total industry, 1989)




Source: National Planning Association, Regional Economic Projections Series; National Restaurant Association

**FOOTNOTES:**

1. Data are given only for establishments with payroll.
2. Food and drink sales for nonpayroll establishments totaled $3.6 billion in 1985.
3. Includes drug and proprietary store restaurants, general-merchandise-store restaurants, variety-store restaurants, food-store restaurants, grocery-store restaurants, gasoline-service-station restaurants, and miscellaneous retailers.
4. Includes drive-in movies, bowling lanes, and recreation and sports centers.
5. Includes sales of hot food, sandwiches, pastries, coffee, and other hot beverages.
6. Includes industrial and commercial organizations, and seagoing and inland waterway vessels.
7. Includes voluntary and proprietary hospitals, long-term general, TB, mental hospitals, and sales or commercial equivalent to employees in state and local short-term hospitals and federal hospitals.
8. Sales (commercial equivalent) calculated for nursing homes and homes for the aged only. All others in this grouping make no charge for food served either in cash or in kind.
9. Continental United States only.

### FORECAST: FOOD SERVICE IN 1989
**(By segment)**

| | FOOD & DRINK SALES ($ millions) | GROWTH RATE Nominal (%) | Real (%) |
|---|---|---|---|
| GROUP 1 | | | |
| EATING PLACES | | | |
| Full service | 74.4 | 6.1 | 1.5 |
| Fast food | 65.1 | 8.2 | 3.6 |
| Cafeterias | 4.2 | 6.8 | 2.2 |
| Caterers | 1.7 | 2.8 | 7.2 |
| Ice cream, snacks | 1.8 | 6.5 | 1.9 |
| TOTAL EATING PLACES [1.] | 147.1 | 7.0 | 2.4 |
| Bars, taverns | 10.3 | 5.0 | 0.4 |
| TOTAL EATING & DRINKING PLACES | 157.4 | 6.9 | 2.3 |
| FOOD CONTRACTORS | | | |
| Manufacturing, industrial plants | 3.7 | 8.6 | 4.0 |
| Commercial, office buildings | 1.3 | 8.9 | 4.3 |
| Hospitals, nursing homes | 1.6 | 8.0 | 3.4 |
| Colleges, universities | 2.4 | 8.8 | 3.6 |
| Primary, secondary schools | 1.1 | 6.8 | 2.2 |
| In-transit food service (airlines) | 1.0 | 9.0 | 5.0 |
| Recreation, sports centers | 1.7 | 7.3 | 2.7 |
| TOTAL FOOD CONTRACTORS | 12.8 | 8.3 | 3.6 |
| LODGING PLACES | | | |
| Hotel restaurants | 11.8 | 7.3 | 2.7 |
| Motor hotel restaurants | 0.9 | 4.3 | —0.3 |
| Motel restaurants | 1.3 | 3.1 | —1.5 |
| TOTAL LODGING PLACES | 13.9 | 6.7 | 2.1 |
| Retail host restaurants [3.] | 9.6 | 9.5 | 4.9 |
| Recreation, sports [4.] | 2.4 | 6.1 | 1.5 |
| Mobile caterers | 0.8 | 6.5 | 1.9 |
| Vending, non-store retailers [5.] | 5.0 | 5.9 | 0.8 |
| TOTAL GROUP I | 202.0 | 7.0 | 2.4 |
| GROUP II — Institutional food service | | | |
| Employee food service [6.] | 1.9 | —0.9 | —5.3 |
| Public, parochial, elementary, secondary schools | 3.5 | 4.2 | —0.4 |
| Colleges, universities | 3.5 | 3.0 | —2.2 |
| Transportation | 1.3 | 10.6 | 6.8 |
| Hospitals [7.] | 7.7 | 2.8 | —0.4 |
| Nursing homes, homes for aged, blind, orphans, and the mentally and physically handicapped [8.] | 3.6 | 5.3 | 2.1 |
| Clubs, sporting, recreational camps | 2.0 | 5.9 | 1.4 |
| Community centers | 0.6 | 8.2 | 5.0 |
| TOTAL GROUP II | 24.2 | 3.9 | —0.1 |
| TOTAL GROUPS I & II | 226.2 | 6.7 | 2.2 |
| GROUP III — Military food service [9.] Officers, NCO clubs | 0.7 | 6.1 | 1.5 |
| Foodservice — military exchanges | 0.4 | 6.5 | 1.9 |
| TOTAL GROUP III | 1.1 | 6.2 | 1.6 |
| GRAND TOTAL | 227.3 | 6.7 | 2.2 |

Source: National Restaurant Association

CS150-5
2/19/89

**Private clubs shed tradition**
Focus follows page 22

**Chin likes being the boss again**
Carolyn Walkup/Page F28

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Alan Liddle/Page 66

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*The Weekly Newspaper of the Food-Service Industry*

**Vol. 23, No. 4** **Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year** **January 23, 1989**

# Restaurateurs battle INS crackdown

## *Blast immigration agents for zealous raids, fines*

**By Richard Martin**

Hit by stiff fines levied mainly for technical infractions, restaurateurs are incensed over the Immigration and Naturalization Service's zealous enforcement of worker documentation laws.

While targeting the food-service industry for intensive scrutiny, the I.N.S. has levied some 1,300 fines on employers since last June, when a one-year leniency period elapsed and the agency began cracking down on violations of the stringent Immigration Reform and Control Act of 1987.

"I'm feeling very bitter, very discouraged, because of all the time and money we've spent on compliance," said Julie Notley, personnel administration manager for Irvine, Calif.-based El Torito Restaurants, which has been fined a dozen times since June.

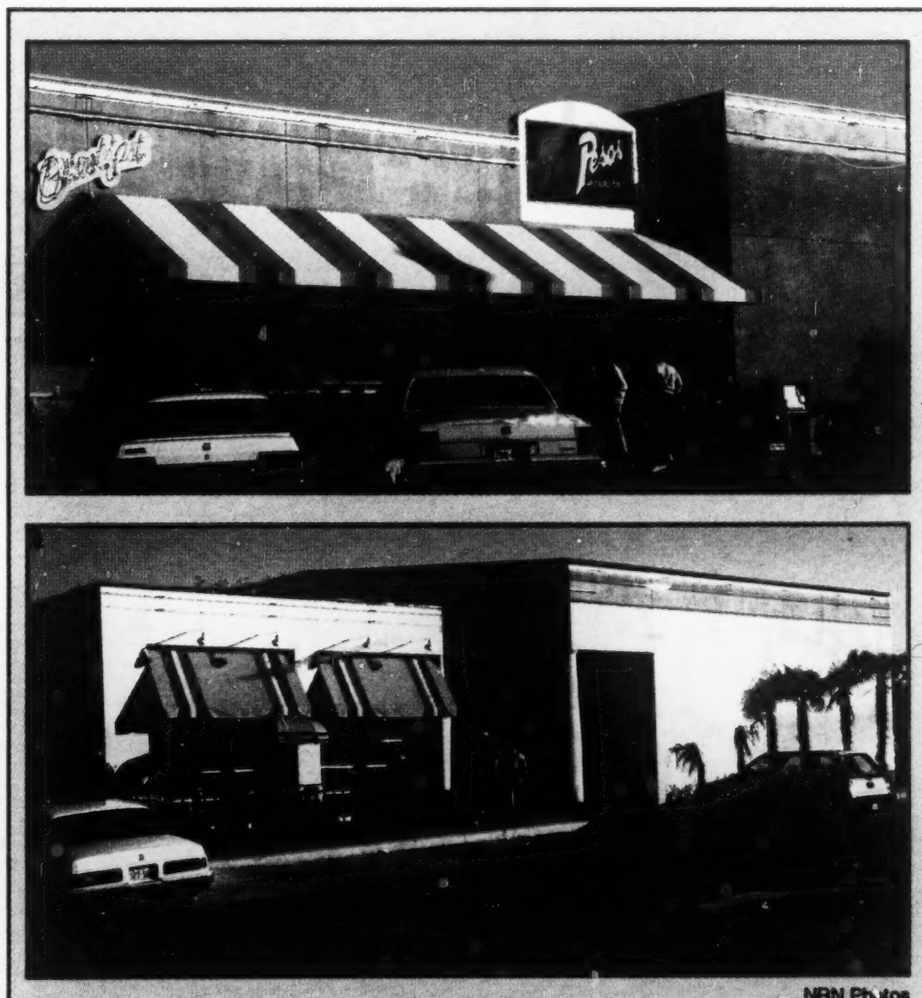
"I kid you not: They're meticulous; they go over these ['I-9'] forms line by line with a magnifying glass," said restaurant manager Patricia Kilbourne, whose Fuddruckers unit in Ventura, Calif., was fined $3,750 in November for technical shortcomings on the employment records of five workers who otherwise were legally hired.

Amid widespread labor shortages, employers are finding that worker-documentation burdens are aggravated by the industry's traditional reliance on immigrant labor and the chronically high rate of employee turnover.

Moreover, compliance with immigration reform rules is often hampered by the inexperience of young restaurant managers. They can become easily confused when called on to interpret legal hiring criteria and to evaluate the perplexing variety of qualifying documents, many of them fraudulent, that are proffered by job-seeking immigrants.

The 170-unit El Torito

*(See **INS**, page 4)*



NRN Photos

**Six major changes, including awnings, neon, and building design, have been mandated for Two Pesos, top, after it was found to have imitated the trade dress of Taco Cabana, bottom.**

## *Judge details changes in Two Pesos concept*

**By Tracey Taylor Woodard**

HOUSTON — Imitation, a federal judge here has ruled, is not the sincerest form of flattery.

Instead, the imitation of 21-unit Taco Cabana's trade dress by rival Two Pesos Cafes could cost the latter company more than $2 million.

In a suit filed by San Antonio, Texas-based Taco Cabana, U.S. District Judge John V. Singleton doubled a jury's award for trade dress misappropriation to $1.9 million but did not

*(See **TACO CABANA**, page 82)*

# Pizza Hut, Marriott link to operate in institutions

**By Peter Romeo**

WICHITA, Kan. — Pizza Hut is attempting to blaze a shortcut into the institutional market by opening miniature pizzerias inside food-service facilities operated by Marriott Corp.'s contract-feeding division.

Marriott manages the kiosklike, limited-menu outlets, paying Pizza Hut a fee based on the number of pies sold.

The food-service giants have already teamed up at three locations: a student-feeding facility at George Washington University in Washington, D.C.; an employee cafeteria inside a bank elsewhere in the nation's capital; and the staff cafeteria at St. Luke's Hospital in Cedar Rapids, Iowa.

"It's a test deal," a Pizza Hut spokesman said. "At this point the people in our new-concept department are very, very happy."

Each site hosts a scaled-down Pizza Hut outlet mea-

*(See **PIZZA HUT**, page 82)*

# Vicorp gives Florida units last chance

**By Rajan Chaudhry**

NEW YORK — It's shape up or ship out for Vicorp Restaurants Inc.'s depleted Village Inn ranks in Florida, company executives told a gathering of securities analysts here.

Unless results improve dramatically, said Vicorp chairman Charles "Buck" Frederickson, the company, which has already closed 15 of 45 company-operated Village Inns in Florida, will pull the plug on its remaining restaurants there.

"The problems are evident in the data," said Robert Benson, president of Denver-based Vicorp: "low average sales, declining customer counts, somewhat improved but still wholly unsatisfactory margins."

Benson all but nailed up the For Sale sign on the Florida stores.

"While every asset of a public company is

*(See **VICORP**, page 82)*

## FOOD WATCH

### *Chinese New Year*

CHICAGO — Memories of China restaurant here will celebrate the Chinese New Year with special food offerings.

The Year of the Serpent, 4687, will start on the Chinese New Year's Eve, Feb. 5. Events will continue till Feb. 11. During that time the restaurant will serve a special "Taste of China" dinner.

The meal, available for two or more customers, will cost $25 per person and will include crispy shrimp, Mandarin pot stickers, Cantonese pickled vegetables, hot and sour soup, Peking duck, Mongolian beef, Szechwan shrimp, Haw Gee Kaye chicken, stir-fried orange roughy, and a combination of double-fried noodles.

Memories of China will also serve dinner from Master Chef I-Pin Chiang's regular menu during the Chinese New Year's celebration. The à la carte menu includes 23 appetizers, salads, and soups and a variety of 87 seafood, fish, duck, chicken, beef, veal, pork, lamb, and vegetarian entrée dishes.

**—Ken Frydman**

BERNSTEIN: PRIME STEAK HOUSES SURPRISING PUNDITS — Page F3

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Vol. 23, No. 4 Jan. 23, 1989

## NEWS DIGEST

### House committee chief proposes new wage hike

WASHINGTON — Congressional Democrats wasted no time reviving the minimum-wage issue as House Education and Labor Committee chairman Augustus Hawkins uncorked new legislation calling for a 39-percent increase in the national hourly pay floor.

Like legislation that was killed in the Senate late last year by an 11th-hour filibuster, the new proposal would boost the current $3.35 minimum rate to $4.65 in three steps, beginning with a 50-cents-per-hour hike on Jan. 1, 1990.

Hawkins' bill, introduced on the first day of the new congressional session, also calls for restoring the 50-percent federal tip credit. In addition, it would establish a five-member wage review board to review the pay floor every year.

### Furr's, Luby's try drive-thru service

LUBBOCK, Texas — Enticed by several cafeteria chains' success with take-out service, two major players are testing drive-thru operations in a bid to capture more convenience-seeking patrons.

Furr's Cafeterias recently added side-by-side drive-thru lanes at an existing cafeteria here in the system's headquarters city. Items ordered from a limited menu are packed to customers waiting in their cars.

Luby's, a 118-unit competitor based in San Antonio, said it plans to convert a former bank into a "park-and-order" outlet. Patrons would park at one of six spaces equipped with microphones, place their order, and wait for kitchen staffers to send a message when the food is ready. The customers would then pull up to a pass-through window. The unit is slated to open in February.

### Judge lets Popeyes stalk Church's again

JEFFERSON, La. — A federal judge has overturned a court decision barring Popeyes Famous Fried Chicken from pursuing a hostile takeover of Church's Fried Chicken, setting the scene for a pitched and possibly decisive battle between the fast feeders.

Church's said it would continue to search for ways of eluding Popeyes, which has revealed that more than 45 percent of Church's shares have already been tendered for $8 each.

A judge had come to Church's rescue, enjoining Popeyes from pursuing the takeover because of allegations that Popeyes executives formerly employed by Church's had supplied their new employer with privileged information about the prey. The injunction was overruled by a federal judge.

### Bonanza licensee buys half of GM's York chain

ST. LOUIS — A Bonanza franchisee here has acquired 35 of the 68 York steak houses that General Mills is selling to weed that chain from its restaurant group.

Steak House Acquisitions, which operates 45 Bonanza units, would not say how much it agreed to pay for the York outlets. General Mills has earmarked $21 million for the divestiture.

Steak House said it would convert the 35 Yorks, which are located throughout the so-called Rust Belt stretching from Ohio into New England, into Bonanza restaurants.

### Tastee Donut chain files for bankruptcy protection

HARAHAN, La. — Tastee Donut, the 54-unit doughnuts-and-burgers chain based here, has filed for protection from creditors following a change in ownership.

John V. Santopadre became the franchisor's sole owner by buying out two partners in October. He told a local reporter that a court-supervised reorganization will enable Tastee to adopt a new strategic plan that includes the addition of shrimp and fish sandwiches. Tastee currently offers miniature hamburgers called Kastleburgers.

## *Grand Met PLC revamps BK ads, top management*

**By Peter Romeo**

MIAMI — Grand Metropolitan PLC, moving quickly to revamp newly acquired Burger King Corp., has reshuffled the ailing chain's management and refined the system's current advertising message.

Barry Gibbons, formerly head of Grand Met's European restaurant empire, was tapped to succeed Jerry Levin as Burger King's chief executive. Levin resigned, as had been expected.

His title of Burger King chairman has been assumed by Ian Martin, chief executive of Grand Met's U.S. operations. Martin was also recently named chairman of Pillsbury Co., succeeding Philip Smith, who resigned shortly after Grand Met acquired Pillsbury to gain control of its Burger King subsidiary.

Days before Burger King's top management was shuffled, the chain began airing commercials featuring a new closing sequence in which a grill changes into the Burger King trademark. The new spots, which also feature a speaking grill, stress the chain's signature flame-broiling cooking process.

In addition, Don Dempsey, Burger King's new marketing director, is reportedly reviewing new advertising output from N.W. Ayer, the New York agency that handles the chain's $200 million account.

Grand Met declared before acquiring Pillsbury for $5.75 billion that a top priority would be an overhaul of Burger King's marketing programs, which have failed to lift the No. 2 burger chain out of a prolonged sales slump.

In a related development Donald Slater, president of Pillsbury's S&A Restaurants dinner-house subsidiary, was given the additional title of chief executive. S&A has been slated by Grand Met for divestiture.

The conglomerate indicated that Martin would soon be relocating to Minneapolis, where Pillsbury is based, from Grand Met's U.S. encampment at Montvale, N.J.

Gibbons will be relocating to the United States from Europe, where he served as chairman and managing director of Grand Metropolitan Retailing Ltd., a subsidiary that operates 2,000 pubs and restaurants.

### Ryan's launches tests of quick-service lunch

GREENVILLE, S.C. — Ryan's, the budget steak-house chain that helped spark a proliferation of food bars, is testing a new express-lunch service built around the chain's signature Megabar buffet.

The sales trial is part of Ryan's attempt to bolster lunch traffic. Toward that end, the chain recently added a $2.99 country-style steak entrée that already accounts for more than 3.5 percent of sales, according to Craig Weichmann, restaurant analyst for Morgan Keegan in Memphis, Tenn.

Ryan's recently launched a two-unit test of Express Lunch, a midday service for patrons who want a fast meal limited to items offered on the Megabar. Those customers can bypass the regular serving line, take what they want from the buffet, and pay at a cashier's station reserved for them.

### McCall, formerly of Ryan's, launches own buffet chain

GREER, S.C. — Mark McCall, the former Ryan's president credited with originating the chain's Megabar buffet, is launching a new buffet-style chain named The Covered Dish.

The first two restaurants are slated to open in Houston. Each unit, which will offer a complete buffet for about $5.50, should gross about $2 million annually, according to McCall.

# FOCUS | VIEWPOINT

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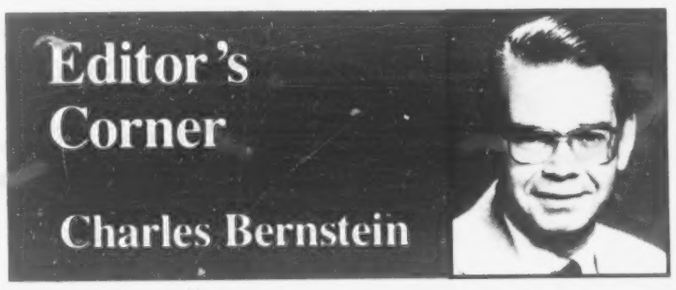
# Prime steak houses surprising pundits

The demand for steak is in a drastic slump, and steak houses are going nowhere. Consumers are opting for lighter, less expensive fare and want to stay away from beef.

Seafood and chicken sales are soaring while those of beef are declining. Healthful-food addicts predominate and want no part of beef.

Nor are customers willing to spend more than $25 each for dinner in the first place. Anything resembling a pricey restaurant is falling off in volume as it meets severe consumer resistance. Between the 80-percent meal tax deduction law and the tight economy, customers simply don't want to spend.




So goes the popular wisdom widely held throughout the country. But is it true?

Anyone who walks into any number of leading New York steak houses during lunch or dinner will find almost the exact opposite situation. The better steak houses are thriving, whereas other restaurants and segments are feeling the brunt of restaurant saturation and consumer resistance.

Perhaps this is not what it should be, but Christ Cella, Sparks, The Post House, Pen & Pencil, Smith & Wollensky, Peter Luger, The Palm, and Gallagher's are prospering. They are packed with customers most of the time — contrary to conventional wisdom.

With an average dinner ticket of $30 to $50, they are doing just fine. Why is this?

In the customer's mind, these places have a comfortable old-time feeling easy to identify with and relate to. They are the antithesis of the trendy places that supposedly are dominating the scene but come and go at breathtaking speed.

Most assuredly, these steak houses are not racking up record sales by diversifying the menu with chicken and seafood to any large degree. They are preserving a clear-cut identity of steak, a principle from which they have not veered.

They are offering quality prime, aged steak — a precious commodity that enough customers thrive on and are willing to pay for so that they can enjoy a happy experience without worrying about calories or cholesterol. What customers object to is less-than-quality steak served at any price.

Each one of the steak houses has a special identity but succeeds because of its excellent steak, its own unique potatoes, and a special atmosphere. At The Palm it's sawdust on the floor. At Gallagher's it's the photographs of old-time and modern sports greats adorning the walls and the menus — sports figures that many of the customers readily recognize.

But customers are not flocking to Gallagher's Steak House just to see photographs of Arnold Palmer, Casey Stengel, Joe Namath, Eddie Arcaro, and a host of other sports celebrities. The major attraction is the great steak and price-value that owner Jerry Brody (who also owns the famous Oyster Bar restaurant in New York's Grand Central Station) has become known for since he stepped down as Restaurant Associates chairman 26 years ago.

Gallagher's draws its customers because of the tradition that has prevailed at the steak house since it opened in 1933, because of the camaraderie at the bar and at the tables. Far more than that, though, they are still flocking there for the luscious sirloin steak, the superb filet mignon, the tasty calf's liver steak, and the unsurpassed roast prime rib. And for the large portions, not for tiny nouvelle nibblings.

They have time to worry about their waistlines only when the steak is not so tasty. They tend to work off or exercise off much of the accumulated weight.

So the next time somebody talks about the trendiest nouvelle restaurants surpassing steak houses, it should be noted that steak houses are far from dead. In fact, the magnetism of steak is incomparable.

## LETTERS

### *First* real *Domino's unit makes Manhattan debut*

Editor, NRN:

For the second time this calendar year we at Domino's Pizza read with great interest that we were "re-entering" the Manhattan market for the "second time." No one here at our headquarters could recall entering Manhattan prior to our store opening near the New York University campus on Nov. 17.

After checking with your reporter, who did a fine job researching the story, we discovered we are both right!

She told us that she had checked the phone books from a few years ago and, sure enough, there was a Domino's Pizza in Manhattan! However, it was not us. Apparently someone else was using the Domino's name in violation of our trademark and patents.

For the record, Domino's Pizza Inc., the world's largest pizza delivery company, is entering the Manhattan market for the very first time. Manhattan is an exciting new market for us. We're doing very well so far, and we look forward to adding new units in the near future.

**— P. David Black**
*Operations Vice President*
Domino's Pizza
Ann Arbor, Mich.

### *Consultants are needed to shed light on problems*

Editor, NRN:

I am, as you know, a consultant and darn proud of it!

I agree, in part, with your editorial column of Jan. 2 and take great exception to some of the quotes that would make it sound as if only a very few operators employ consultants when needed.

I have been consulting, domestically and internationally, since 1969 and have been sharing my knowledge with little to no thought of compensation as a trade-paper columnist, an editor-publisher of a newsletter, an instructor at U.C.L.A., a volunteer executive for SCORE and the International Executive Service Corps, and a guest lecturer at numerous restaurant conventions for more than 20 years. And 99 percent of my business has come through referrals by other clients and those people with whom I have worked through the years.

The quote "Nobody knows as much as we do about our own business" (meaning: more than a few operators taking the position that they don't want to deal with consultants) is partly true. Operators *do* know more about their own businesses than outsiders do!

But that's the problem. Many do not know how to run their businesses efficiently and profitably; they lack the years of knowledge and experience that we professional consultants have gained through working in our own companies and with other clients. What may appear to be insurmountable problems for clients are usually ones that consultants have handled and solved many times before.

Our industry's closure rate, approximating some 50-percent failures the first year and 30 percent of the remaining failing during their second year in business, ranks first or second in our U.S. economy.

I cannot recount the numbers of times I have convinced neophyte-would-be-operators to stay out of the restaurant business. We have been through the wars, and who is better qualified to help and teach others to understand what they are getting into, the financial and family pressures, etc.?

Consultants are the "third dimension" to what lawyers and accountants do whenever clients need assistance. We are not there to *run* their businesses for them but to help them solve problems so they can be more successful.

**— Leon Gottlieb**
*Leon Gottlieb and Associates*
Tarzana, Calif.

### *Icelandic boycott perils US economic interests*

Editor, NRN:

A belated thank-you for a fair Nov. 21 editorial column on the whaling issue and boycott of products from companies associated with the fishing industry of Iceland.

The two major companies in question, Coldwater Seafood Corp. and Iceland Seafood Corp., obtain a certain amount of their products outside Iceland, operate processing facilities in the United States, and employ several hundred people each — largely minorities in economically disadvantaged areas of the country.

Coldwater, furthermore, purchases several million pounds of Alaskan pollock from U.S. processors.

So, as you see, in addition to the points you made in your editorial, there are some U.S. economic interests at stake here.

Again, thank you.

**— Petur Masson**
*director of marketing*
Coldwater Seafood Corp.
Rowayton, Conn.

MARKETING

# Poll: McD increases share of ad awareness

## *Oliver and Company led December promo*

**By Bill Carlino**

LINCOLN, Neb. — McDonald's jumped three percentage points in top-of-the-mind advertising awareness during Nation's Restaurant News December Adtrack Poll.

In the NRN survey designed to gauge fast-food advertising effectiveness, McDonald's captured 52 percent of 1,000 consumers who were asked, "Of all the fast-food advertising you have read, seen or heard, which advertising first comes to mind ? ".

During December, McDonald's ran an in-store promotion and accompanying TV spot tied in with the animated film, "Oliver and Company." The 30-second commercial spotlighted Oliver and Dodger, the movie's central characters, which were available in figurine form with the purchase of a McDonald's gift certificate book.

Both replica models were outfitted with a musical computer chip that played either "Jingle Bells" or "Frosty the Snowman" when the figurines were squeezed.

*During the month of December, McDonald's ran an in-store promotion and accompanying TV spot tied in with the animated film, 'Oliver and Company'.*

The Oliver and Company spot was the creation of the Chicago-based,, Leo Burnett USA agency.

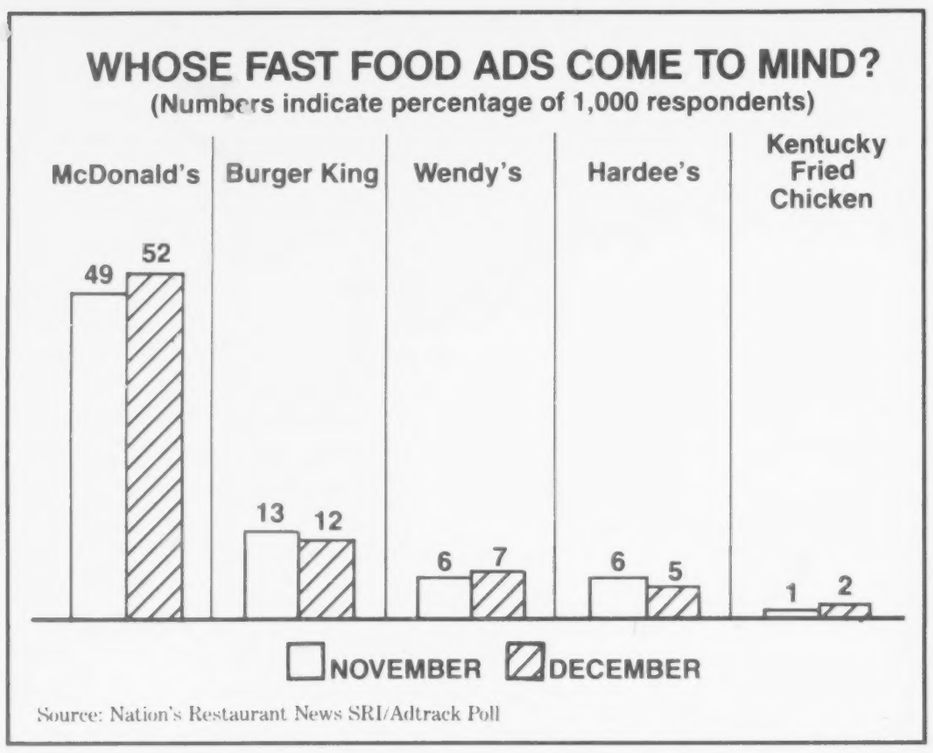
Augmenting December's national airing of "Oliver and Company" were regional-level spots carrying the "Good Time, Great Taste" tag line.

Second-place Burger King dropped one percentage point to finish with a 12-percent rating.

Burger King's advertising agency of record, N.W. Ayer, will reportedly present a new creative campaign to company marketing director Don Dempsey sometime this month. And under the chain's new ownership, Grand Metropolitan PLC, further marketing changes are likely.

In December, Dublin, Ohio-based Wendy's reversed a two-month slide by climbing one percentage point for a total of 7 percent, while Hardee's, whose California Raisins promotion accounted for a two-point hike in November, fell a single point to finish with 5 percent.

Kentucky Fried Chicken rounded out the top five fast-food operations in the NRN Adtrack Poll with a one-point increase for a total of 2 percent.




Source: Nation's Restaurant News SRI/Adtrack Poll

## AD WATCH

**HIGH ROAD TO CHINA: Motorists driving along I-95 in St. Paul, Minn., or on Excelsior Boulevard in St. Louis Park, Minn., will get an eyeful of Leeann Chin's famous stir-fry vegetable or lemon chicken dishes. The 11-unit take-out and buffet operation is attempting to lure hungry Twin Cities drivers with a billboard ad campaign. Created by Naegele Outdoor, the boards will rotate entrées every two months.**

*"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

## NRN MARKETING DIGEST

### Furr's/Bishop's begins new ad push

LUBBOCK, Texas — Furr's-Bishop's Cafeterias will begin airing a new block of 15-second television commercials that emphasize both the chain's menu variety and its food quality.

According to Furr's-Bishop's marketing director Rich Lahvic, the spots, which are themed "Food this good takes all day," will be part of the chain's most extensive marketing push in two years.

In addition to implementing the television campaign, the 153-unit cafeteria chain recently rolled out all-you-can-eat specials and children's menus and is currently testing a carry-out service.

Created by the Levenson, Levenson & Hill Agency of Irving, Texas, the spots will be aired in approximately 50 markets.

### Skipper's chooses local ad agency

BELLEVUE, Wash. — Skipper's, the 215-unit seafood chain headquartered here, has selected Seattle-based Borders, Perrin & Norrander to assume the creative portion of its advertising account.

The agency switch comes as part of Skipper's marketing and advertising shift to work with agencies located close to its Washington headquarters. Borders, Perrin & Norrander succeeds Minneapolis-based Martin/Williams.

In October of last year Western International Agency of Seattle took over the media-buying portion of the Skipper's account.

Among other restaurant accounts, Borders handles creative for the Burgerville USA chain through its Portland, Ore., office.

### Griffith joins Domino's International

ANN ARBOR, Mich. — Debra Griffith has been named director of promotions and communications at Domino's Pizza International Inc.

Her expanded responsibilities will include all marketing advertising and public relations for 275 Domino's units in 15 international markets.

A Domino's employee since 1986, Griffith had previously been a public-relations representative at the Ann Arbor-based Comerica Bank and Great Lakes Bancorp.

### Pier House taps Orlando agency

KEY WEST, Fla. — The Pier House Resort, a 120-room upscale hotel here, has named the Orlando, Fla.-based Robinson, Tesawich & Pepperdine Inc. its advertising agency of record.

Specializing in hotel advertising, the shop also handles advertising for the Peabody Hotel in Memphis, Tenn., and the Stouffer Grand Beach Resort on St. Thomas, in the U.S. Virgin Islands.

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H6/84

NEWSPAPER

**Bella Voce serves up melodies with meals**
Alan Liddle/Page 18

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rolyn Walkup/Page 57

Nation's
# Restaurant News
*The Weekly Newspaper of the Food-Service Industry*

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## School feeders push breakfast to lure students

By Bill Carlino

HILTON HEAD, S.C. — Food-service directors throughout the nation's elementary and high schools are unveiling creative methods to lure more students to breakfast.

In Boston a "Bring a friend to breakfast" program is luring students to the cafeteria at 7 a.m.

In Fairfax County, Va., "breakfast bars" have hiked program attendance to 92 percent.

And in Portland, Ore., schools are offering non-traditional breakfast items, such as pizza, casseroles, soups, sandwiches, and rice.

Breakfast marketing techniques emerged as the key issue at a seminar of the American School Food Service Association, as 300 food-service directors and suppliers convened here at the Hyatt Regency.

"You can't teach a hungry child," said Shirley Watkins, the ASFSA national president and the food-service director for Memphis, Tenn., schools.

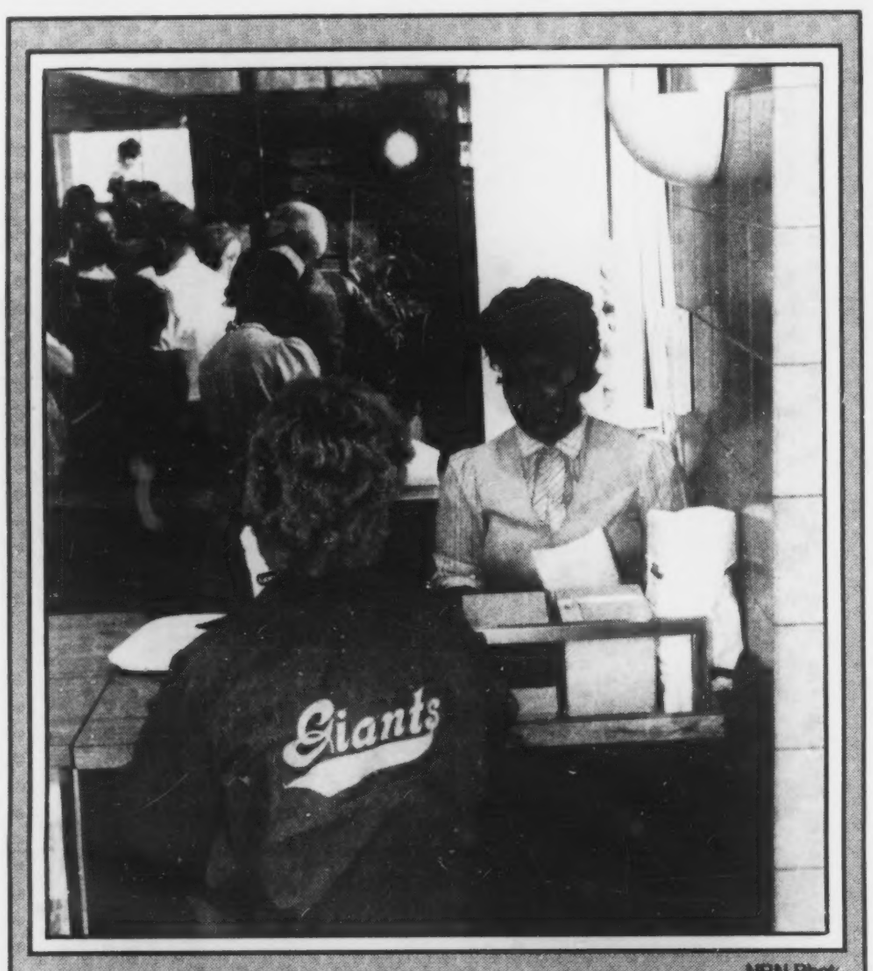
"The correllation between a healthy breakfast and increased learning capacity is not a new discovery," Watkins continued. "But you'd be amazed at how many administrations remain inflexible regarding a breakfast program."

Although the National School Lunch Program was instituted more than 40 years ago, a school breakfast program did not exist until 1966.

According to the statistics supplied by the ASFSA and the U.S. Department of Agriculture, about 25 million school lunches are served daily but only 4 million breakfasts.

Growth for school breakfast partici-

*(See **SCHOOLS**, page 76)*




NRN Photo

**A Luby's clerk takes orders at take-out counter.**

## *Luby's takes lead in take-out trend*

By Tracey Taylor Woodard

HOUSTON — Luby's Cafeteria executives wrote themselves a prescription for success when they decided to add a take-out counter for a new unit located at a busy medical center here.

"The increases have been substantial," said Bill Robson, Luby's senior vice president of operations and de-

*(See **LUBY'S**, page 4)*

**Cafeterias don new wardrobe**
Focus follows page 30

# ESOP fever hits industry

## *Employee ownership hailed for boosting morale, profits*

By Rajan Chaudhry

ESOP fever, which has already swept the banking, steel, and several other industries, shows signs of surfacing in the restaurant industry.

From large chains to single-restaurant operations, companies are embracing Employee Stock Ownership Plans — programs that encourage employees to buy stock and thus participate in management of their companies — and hailing their impact on employee attitudes and their own bottom lines.

Restaurant companies that have adopted ESOPs include regional cafeteria operator Wyatt Cafeterias Inc., Long John Silver's franchisee Treasure Isle Inc., and independent Snug Harbor Seafood Restaurant in Fort Myers Beach, Fla.

And many restaurateurs — like Constantine Georgakopoulos, owner of two Perry's Cafes in San Diego, Calif. — have ESOPs on the drawing board.

By attracting prospective employees and helping retain current hires, advocates say, employee ownership eases the effects of the labor shortage. ESOPs can also provide generous financial incentives for owners who sell to them and to companies that set them up. And the plans are useful to owners of closely held com-

*(See **ESOP**, page 76)*

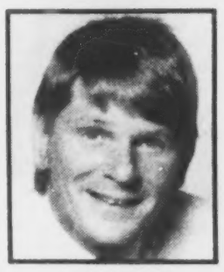
**ESOP FABLES**
Tax law smiles on programs
But they're not for everyone
Page 76

## Gibbons gets hot seat at Burger King

By Peter Romeo

MIAMI — The hottest seat in food service at the moment may well be the one that has just been occupied by Barry Gibbons, Burger King's third chief executive since October.

A 42-year-old Englishman with little knowledge of fast feeding or the U.S. market, Gibbons faces the daunting task of reversing the chain's four-year sales slide within a tight time frame set by the system's new owner, Grand Metropolitan. Before acquiring Burger King in a takeover of Pillsbury



Gibbons

Martin

Co., Grand Met boasted to the media that it could achieve "very significant improvements" at the fast feeder within nine months.

That assurance came from Ian Martin, who, as chairman of both Burger King and Pillsbury, holds the thermostat to Gibbons' new chair.

"I believe Barry's exceptional record of achievement in marketing, management, and financial results makes him singularly qualified for the objective we have set for Burger King," Martin said in a prepared statement. "As chairman of Burger King, I look forward to working with him to achieve this."

Gibbons brings to the partnership the restaurant knowl-

*(See **BURGER KING**, page 4)*

**FOOD WATCH**

## *Szechwan-style soup*

LOS ANGELES — Bicontinental chef-restaurateur P.C. Lee has scored a hit with his Mexican and Chinese customers here by serving a pungent Szechwan-style beef noodle soup recipe imported from the Beijing, China, restaurant he also manages.

The top-selling item at his Mandarin Chef restaurant in Canoga Park is a big bowl of custom-made noodles, beef shank chunks, and broth flavored with hot bean paste, ginger, dried orange peel, and Szechwan peppercorns. The $2.95 dish is ordered by about half of the 200 daily patrons at Lee's 70-seat cafe, which opened last spring.

At the Beijing-California Beef Noodle King, Lee's restaurant in China, the same dish costs about 70 cents and sells at the rate of more than 1,500 bowls a day. "The main thing is the beef," said Lee, who is a native of Szechwan province and has served the soup at other restaurants he has run in Taiwan and California. The 60 pounds of meat in a standard batch "makes the flavor very tasty and very strong."

— Richard Martin

BERNSTEIN: TIME FOR DEPARTMENT STORES TO WAKE UP — F3

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Vol. 23, No. 6 Feb. 6, 1989

# NEWS DIGEST

## Pizza Hut franchisee seeks takeover of Skipper's chain

PITTSBURG, Kan. — National Pizza Co. here, the largest franchisee of Pizza Hut, is seeking to acquire a new restaurant concept through a $24.5 million tender offer for Skipper's, the quick-service seafood chain based in Bellevue, Wash.

National said the 200-unit Skippers chain would remain a separate business based in Bellevue, adding that current management would be retained.

Although National has grown quickly in recent years through the acquisition of several small companies, all have been either other Pizza Hut franchises or competing pizzerias that were converted to the segment-leading brand. National operates about 280 Pizza Hut outlets.

## Jonathan Waxman closes Jonathan Waxman in NY

NEW YORK — Jonathan Waxman, the famed West Coast chef, has closed his California restaurant here several months after he attempted to reverse declining traffic by outfitting the place with a lower-cost menu and giving it his name.

At the time the restaurant was renamed Jonathan Waxman, many of the city's pricey dining places were also adding lower-priced menu items or opening adjacent, less expensive cafes in an effort to stem an erosion of their clientele.

Originally known as Jams and briefly as JW's, the Jonathan Waxman restaurant was located in the heart of the Upper East Side.

## Arnaud's names Guy Petit its new executive chef

NEW ORLEANS — Arnaud's, the landmark restaurant here, has named Guy Petit, a veteran of such fine-dining standouts as Dallas' Mansion on Turtle Creek and Paris' Maxim's, as its new executive chef.

Petit is a native of France, and his Parisian background also includes positions with Maison Buisson and The Plaza Athenee. In the United States he opened The 95th Restaurant in Chicago and the Plaza Club in Denver. He was also on the preopening team at The Mansion on Turtle Creek and The Remington in Houston.

Petit replaces Andre Ledoux, who has returned to his former position at New Orleans' Fairmont Hotel.

## Subway acquires Suburpia to boost Midwest presence

MILFORD, Conn. — Subway, the 2,700-unit sandwich chain based here, has acquired Suburpia, a 24-store fast feeder headquartered in Milwaukee.

Subway will convert 18 of the Suburpia outlets to Subway stores and will close the rest, said Subway spokeswoman Jody Barstein. The company is seeking franchisees to operate the stores, she said.

Suburpia, which opened its first restaurants in the early 1970s, had been experiencing financial problems.

## McDonald's posts '88 profits of $645.9 million, up 18%

OAK BROOK, Ill. — Despite three quarters of declining real sales, McDonald's Corp. parlayed the effects of stronger foreign currencies, a lower tax rate, and sales from new stores into an 18-percent year-to-year gain in net income on a 12-percent rise in systemwide sales.

For the year ended Dec. 31, McDonald's net income rose to $645.9 million from $549 million last year. In the prior year an accounting change raised final net to $596.5 million.

Systemwide sales grew to $16.1 billion in 1988, from $14.3 billion last year. Average annual sales at company stores rose 6 percent, to $1.6 million, and unit profit margins narrowed slightly to 17.7 percent of sales, from 17.8 percent.

McDonald's said it plans to open 600 to 650 stores this year.

## Coniston secures $300M for TW takeover attempt

NEW YORK — Coniston Partners, the arbitrager seeking to acquire food-service giant TW Services, disclosed through a subsidiary that it has secured access to $300 million to be used in the hostile takeover attempt.

Coniston's SWT Acquisition unit said the brokerage house of Donaldson, Lufkin & Jenrette had entered into a commitment to pay $300 million for preferred stock issued by SWT. The proceeds would be pooled with other funds to purchase TW shares for $29 each, SWT said.

TW is the parent of Denny's and Canteen.

## FDA spares food service from irradiation ruling

WASHINGTON — The Food and Drug Administration, sparing the food-service industry from burdensome labeling requirements, has excluded restaurant meals from new regulations mandating that irradiated foods bear that designation.

The FDA has issued rulings requiring that foods preserved through irradiation "be labeled to show this fact both at the wholesale and at the retail level."

However, the agency said it exempted "multiple-ingredient food," such as restaurant meals, because "the effects of radiation on individual ingredients would likely have no significant effect on the final product."

Most dried herbs and spices are exposed to radiation to destroy harmful organisms.

## Wendy's tests and touts two specialty hamburgers

DUBLIN, Ohio — Wendy's is touting two new signature hamburgers in what the chain describes as a combination product test and short-term promotion.

In New York and other regions, the fast feeder is advertising a Philly Swiss Burger, a quarter-pound hamburger topped with Swiss cheese, onions, mushrooms, and peppers. Elsewhere, the spotlight is on the Mushroom Swiss Burger, a quarter-pound patty garnished with Swiss cheese and mushrooms.

"'We're looking at these as short-term promotions that could stay on the menu if they sell well," a spokesman said.

## Magnan replaces Hoermann in abrupt change at Westin

SEATTLE — Lawrence Magnan has replaced Helmut Hoermann as president of Westin Hotels following the latter's abrupt resignation a few months after he had assumed the post.

Hoermann, a veteran of the rival Hilton International chain, said through Westin that he relinquished the job for personal reasons.

Hoermann had been brought in over Magnan, then executive vice president, to assume the presidency of the lodging chain.

## Mister Donut's parent names Luiso as chairman

MINNEAPOLIS — International Multifoods, parent of the 750-unit Mister Donut chain, has tapped Anthony Luiso, a veteran of the packaged-foods industry, to succeed Andre Gillet as chairman in July.

Luiso, 45, will retain his current title of president. He joined Multifoods in 1987.

Gillet is retiring on July 1.

## Torres leaves Ramada following spin-off plan

PHOENIX, Ariz. — José Torres, senior vice president of Ramada's domestic lodging operations and chairman of the innkeepeer's franchise association, has resigned both posts to form his own hotel management company.

The resignation came on the heels of Ramada's decision to sell its hotel and restaurant chains as a way of averting a takeover by the Pritzker family.

# FOCUS | OPINION

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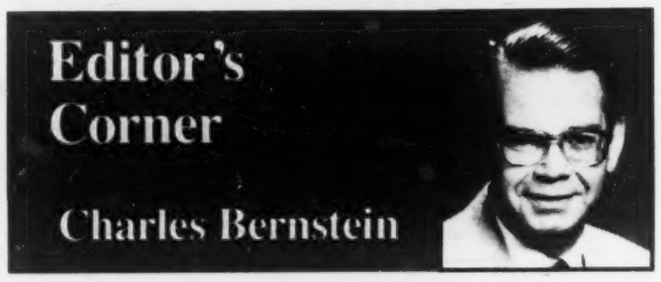
# Department stores: Time to wake up

Where is the last place you would expect to find a top-notch restaurant today? Probably a department store.

For whatever reason, department stores have become also-rans in the food-service derby. Stodgy tearooms remain a staple from another era.




There is absolutely no valid reason why department stores can't raise their restaurants to the level of food service in many office buildings where fine dining — or at least reasonable fare — abounds.

Instead, a food-service operation in a department store has all too often been reduced to the lowest common denominator, as strictly a refueling stop between shopping forays through the rest of the store.

Admittedly, the profit margins of food service do not measure up to those of most other departments. Dollars per square foot simply are not as productive, and a department store restaurant, cafe, or bistro is not as lucrative as any number of general merchandise categories.

But there are important values in business life besides pure dollars per square foot, gross sales, and profit margins. A high-quality restaurant or cafe can uniquely enhance the image of a department store. And a well-run cafeteria or coffee shop does much to attract customers and keep them in the store.

Yet the prototype modern retailers, armed with MBAs and a straight-ahead bottom-line approach, have decreed otherwise. They see no use for food service in their precious department stores and feel it merely steals space that far more profitable departments could utilize.

These retailers insist on trimming the stores to tightly managed streamlined space, yielding higher productivity and leaving no room for food service.

Thus we see such travesties as Bonwit Teller's getting rid of food service, Bullock's removing it from many stores, and Robinson's phasing out almost all its restaurants. These places lose sparkle when the conglomerate mentality dictates no food service.

Stanley Marcus, the veteran retailing executive, consultant, and former chairman of Neiman-Marcus department stores, has dramatized the silliness of the "modern" approach with a stern warning against "sacrificing restaurants to panty shops."

He also observed that retailing should focus on "satisfying and serving people" and on "using imagination rather than boring customers to death."

The one department store section where imagination, variety, and service can thrive is food service, but this is being sacrificed as a part of a "modern" image of sameness and boredom.

While it is easy to put the blame on department store conglomerates and their enterprising, financially oriented executives, the fault may also lie within the food-service industry itself. Regrettably, few department store restaurants ever show imagination and flair. The standardization of such restaurants and lack of real service — qualities deplored for general merchandise departments — have repeatedly manifested themselves.

Evidence of the third-rate nature of most department store restaurants is quite clear; few food-service directors have a vice president's title or stature. Furthermore, at the annual National Retail Merchants Association's New York City convention, the in-store feeder seminar is almost impossible to find.

Food-service executives on the department store scene have allowed themselves to be subjugated as an afterthought in a store's thinking, rather than seeking favorable space by exerting an imaginative food-service approach.

Drugstores phased out old-time soda fountains because they no longer served a need in the context of such operations. But restaurants in department stores certainly fulfill a critical need.

Fortunately, there are plenty of exceptions to the rule of food-service boredom on the department store scene.

Alan Reyburn made Bloomingdale's a food-service power with multiple restaurants in the chain's stores. Le Train Bleu on New York's Upper East Side even became a destination restaurant — a status that department store restaurants should strive for in the same way that hotel restaurants have done.

Still, it would not shock us if Bloomingdale's new conglomerate management starts axing out restaurants in a "modernization" effort.

R. Wray Jones for years has set the highest standards in Neiman-Marcus' Zodiac Room restaurant (Dallas) and in numerous other Neiman-Marcus locations. Meanwhile, Nordstrom's new San Francisco department store sports a handsome English pub and a stylish Champagne bar. Minneapolis-based Dayton-Hudson is emphasizing a wide array of fresh take-out dishes. And Marshall Field's is sticking with its old-time Chicago Walnut Room restaurant even if it is not one of the more profitable departments.

Food service should not play second fiddle to any other division in a department store. But success requires the imagination and courage of an Alan Reyburn or a Bob Jones and the vision of those department store executives who see more than just bottom-line dollars in every possible space.

## *LETTERS*

### *Reader: Don't forget to cover New England*

Editor, NRN:

Because Nation's Restaurant News is *de rigueur* reading for food professionals, I find the continuous lack of coverage on our restaurant-rich New England states to be inexcusable.

For example: As you finally mentioned in a graph (no supporting editorial mention), the New England regional culinary Olympic team that competed as a team, for the first time, not only placed tops in U.S. honors but also placed first in world honors in the "regional" category. The fact is the New England team was the sensation of the competition!

It is unfortunate that the area that is a "mother lode" for national culinary stars and is also rich in professional culinary schools (such as Johnson and Wales, Boston University's Metropolitan College, Newbury Culinary College, New Hampshire Culinary College, and the Rhode Island School of Design) merits so little interest on the part of your publication.

The team members who performed so brilliantly were chefs Lars Erik Johanson, Neil Connolly, Walter Zuromski, Richard D. Petty, Jose M. Faria, Daniel J. Varano, George B. Higgins, Paul E. Sorgule, and Michael J. Beriau, all under the devoted and disciplined baton of team captain Roland Czekelius.

I am sure it is of interest to all your readers, not only those who live in the New England States, to know what a proud showing for America this extraordinary team performed.

**— Lotte Mendelsohn**
*food editor*
The Tab and WEEI Radio
Boston

### *Proof positive: the pen is mightier than the sword*

Editor, NRN:

Up front, let me apologize for not writing you sooner. It's about an editorial you wrote way back, Sept. 5, on old established independents ("Golden oldies: Tradition wins the fray").

You may or may not know that my family — my father and youngest brother — are in the restaurant business. An old established independent facing the constant threat of new trendy joints in their market, south of Boston. It is complicated because the land our place sits on is owned by the town we operate in, the last developable piece of land the town owns.

You get the picture — hot-shot developers wanting to grab this last jewel.

Almost two years ago we began negotiating a long-term — 25-year — lease with the town to ensure Jake's and my folks' future. It all boiled down to one meeting before the town fathers. We agonized over what to present to make a family-owned operation appear as attractive as the riches promised the town by the hot shots.

On that night my father stood before his friends and neighbors armed only with your editorial. He read it aloud and sat silently, awaiting his fate.

We beat the hot shots. Thanks to a 34-year tradition of honest quality and service and you.

On those days when you sit back and wonder if anything of what we do matters, I hope this will give you comfort. It does, you do, and one small wave in the ocean of business thanks you.

**— John O'Brien**
Jake's Restaurant
Hull, Mass.

# FOCUS | CAFETERIAS

NRN Photos

Morrison cafeterias sport buffet lines, and the company also has launched a take-out concept called Morrison's-To-Go for patrons who are too busy to dine inside.

# CAFETERIAS SLIP INTO NEW WARDROBE

*Operators fight to discredit critics of their segment by experimenting with such innovations as self-serve buffets, side-door take-out, and drive-thru features*

By Jack Hayes

Like housewives slipping into evening clothes, cafeteria operators — earnest in their goal to re-excite loyal clientele, lure new patrons, and silence the critics — are awakening their familiar food-service establishments with a wardrobe of imaginative new dining features.

Tired of reports that label their segment as flat, mature, labor intensive, and costly to expand, cafeteria operators are installing self-serve buffets, side-door take-out, double-line indoor service, and even drive-thru windows to build traffic counts, cut expenses, and improve profits.

"The cafeteria is not a stalled concept," proclaims Vernon Schrader, marketing vice president at San Antonio, Texas-based Luby's Cafeterias, Inc., which, at 118 units, ranks among the five top chains operating cafeterias.

The other segment leaders include Mobile, Ala.-based Morrison Inc., with roughly 165 units; Furr's/Bishop's Cafeterias, Lubbock, Texas, with 154 units; Piccadilly Cafeterias Inc. in Baton Rouge, La., with 125 units; and Wyatt Cafeterias Inc. of Dallas, with 121 stores.

Luby's, although smallest in number of cafeterias, still boasts the highest unit sales average in the industry, at $2.3 million per location.

Piccadilly and Morrison both average between $1.9 million and $2 million per store; Furr's/Bishop's is close to $1.8 million; and Wyatt averages $1.5 million.

Part of Luby's success is an aggressive take-out installation that now operates in all freestanding stores. Take-out, in fact, has increased Luby's chainwide sales by 6 percent.

Morrison is likewise measuring sales gains with a take-out concept called Morrison's-To-Go, now installed in 31 of its cafeterias, says Richard McGeoch, senior vice president for corporate planning and investor relations.

The concept draws lunch and dinner patrons too busy to dine inside. Many of them are regular cafeteria customers, yet plenty of new faces are among the take-out clientele, McGeoch says.

Morrison is also turning heads with its hybrid cafeteria, Sadie's Buffet & Grill, an all-you-can-eat concept that has cut front-of-the-house labor cost to well under 30 percent while it lures a younger family clientele.

Meanwhile, Furr's/Bishop's has moved all-you-can-eat buffets into 90 stores with happy results, according to Don Fritz, president of the chain, which also just opened its first limited double drive-thru in Lubbock, Texas.

"All-you-can-eat builds customer counts; it's brought in a different group," says Fritz, who, like Morrison's McGeoch, doesn't mind the lower labor cost in a mixed buffet operation.

Cafeteria operators are also experimenting with new ways to speed the lunch and dinner flow. One effort, juggling the structure of service lines, is increasing covers and preventing impatient clientele from going down

*(See CAFETERIAS, page F14)*

A Luby's worker in a Houston cafeteria dishes out food to a customer.

# FOCUS | CAFETERIAS

## CAFETERIAS TRY NEW LOOK

*(Continued from page F12)*

the street.

Morrison, for example, is reporting success with a "preview line" it is now testing, and Piccadilly has reintroduced its original double serving line in several units.

All of those efforts, operators claim, intend to play on the reputation cafeterias have always fallen back on, namely their value and convenience.

Delivering on that reputation, however, becomes more of a challenge for cafeterias as food-service competition intensifies.

While labor supply keeps tightening on the one hand, construction and lease costs continue escalating and potential locations grow fewer by the day, operators complain.

Cafeterias need 10,000 square feet in which to operate and a market promising a thousand covers a day, preferably 1,200, most operators concede. At $4.50 for the average check and 365 days of operation, that thousand covers will generate $1.6 million annual gross.

"Our size and complexity is both an advantage and a disadvantage," says Piccadilly Cafeteria's Rodney Garrison. "The barriers to entry are significant, but the key to survival is volume," he adds.

Operators acknowledge that it takes a minimum of a $2 million investment and a hundred employees to open a cafeteria today. And until the chains prove they can be profitable in the North, cafeterias are remaining a Sunbelt phenomenon. One glaring fact: While a handful of cafeterias do operate north of the Mason-Dixon line, the great bulk are stacked from Florida to Texas.

"Nobody has been able to export the concept [north] with much success," confirms Brian Elliott, an analyst with The Robinson-Humphrey Co. in Atlanta.

True, the "Bishop's" side of Furr's/Bishop's has been doing business in states like Wisconsin and Illinois since the 1920s. But volume in those northern units doesn't compare with the Furr's cafeterias in Texas, according to Fritz.

Morrison, for example, operates more than a third of its cafeterias in the Sunshine State, which is a haven for the concept. Yet Texas — the leading cafeteria state — boasts more thsn a hundred more units than does No. 2 Florida.

"We've got our first Florida unit (Tampa) on the board now," says Luby's Schrader, whose chain operates most of its stores in the Texas market. "It's a test, but we're going for the same reason the others are already there."

"The cafeteria market is pretty narrow and getting more crowded," Schrader says. "It's just a matter of time before we have to move beyond the Sunbelt."

"The competition is unreal," confirms George Deshazo, executive vice president of operations at Wyatt Cafeterias Inc., which is based in Dallas. "A year ago we counted 87 cafeterias in Dallas alone," he said.

Deshazo hinted at feeling some disappointment with his company's philosophy not to expand further in markets like California. "We've been in San Bernardino and Bakersfield since 1967 and haven't had a losing year out there," he says.

"I've been touting California," Deshazo adds. "I mean the suburban towns — the good neighborhoods demographically — not downtown Los Angeles. We hear Piccadilly is doing well in Fresno, and we've been asked to open there."

Rodney Garrison, executive vice president and chief financial officer at Piccadilly Cafeterias Inc., the most dispersed and the most aggressive of the chains in terms of expansion, confirms California is a good market.

"We have two there now, we're opening two more there this year, and there are three more California sites approved," says Garrison, whose chain has cut back the number of cafeterias it plans to open in fiscal 1989 from 12 to 10.

"That was after buying Ralph & Kacoo's [the high-volume, six-unit seafood specialty operation also based in Baton Rouge, La.] last fall," he says. "But after a year, we'll begin expanding that concept too," Garrison adds.

Ironically, while cafeterias chains clamor to break out of their regional prison, the Sunbelt may eventually prove to be their perfect home, or so suggest recent population trends — especially those showing the movement of retirees.

"I read about the labor problems in New England and wouldn't want to try moving up there," jokes Wyatt Cafeteria's Deshazo, who says labor cost becomes trouble when it climbs above 30 percent.

Furthermore, cafeterias are considered a popular dining alternative for fixed-income retirees who seek value and the security of selecting food items they can see in front of them.

""The maturing of the population may still be 10 years off," challenges Robinson-Humphrey's Elliott, "but the Sunbelt is where retirees are moving."

Nevertheless, cafeterias are struggling to break away from the popular belief that they cater only to the retirement segment.

"I wish we could get rid of that stigma," Wyatt's Deshazo says, shrugging. "We opened a unit in Carrollton, Texas, and had to add an extra dozen rolling high chairs. We're not just for the old folks."

*Cafeterias are struggling to break away from the popular belief that they cater only to the retirement segment. 'I wish we could get rid of that stigma,' Wyatt's Deshazo says.*

## TOP 10 CAFETERIA CHAINS

**1 Morrison's**
Mobile, Ala.
**Parent:** Morrison's Inc.
**No. of units:** 165
**Volume:** $295 million
**Chairman:** E. Eugene Bishop
**1989 plans:** Opening 10 family dining units, including Morrison's and Sadie's Buffet & Grill, the company's hybrid buffet concept. Expanding take-out.

**2 Furr's/Bishop's**
Lubbock, Texas
**Parent:** Furr's/Bishop's Cafeterias
**No. of units:** 154
**Volume:** $270 million
**Chairman:** Michael Levinson
**1989 plans:** Opening two to four units a year, adding mostly in Texas. Expanding buffet, experimenting with drive-thru.

**3 Luby's**
San Antonio, Texas
**Parent:** Luby's Cafeterias Inc.
**No. of units:** 118
**Volume:** $254 million
**Chairman:** John Lahourcade
**1989 plans:** Rolling take-out concept chainwide. Opening first Florida store in Tampa market.

**4 Piccadilly**
Baton Rouge, La.
**Parent:** Piccadilly Cafeterias Inc.
**No. of units:** 119
**Volume:** $235 million
**President:** James Malmberg
**1989 plans:** Opening 10 units, including two more California stores. Reintroducing double serving line.

**5 Wyatt's**
Dallas, Texas
**Parent:** Wyatt Cafeterias Inc.
**No. of units:** 121
**Volume:** $190 million
**Chairman:** H.L. Packer
**1989 plans:** Opening four units a year for the next two or three years, then six to 10 units annually. Looking at new markets.

**6 Old Country Buffet**
Eden Prairie, Minn.
**Parent:** Buffets Inc.
**No. of units:** 51
**Volume:** $75 million
**Chairman:** Roe Hatlen
**1989 plans:** Continuing aggressive expansion, emphasizing buffet concept. No take-out as yet.

**7 K & W**
Winston-Salem, N.C.
**Parent:** K & W Cafeterias Inc.
**No. of units:** 21
**Volume:** $50 million
**President:** Gary Allred
**1989 plans:** Maintaining cafeteria format as expansion and renovation proceeds gradually. Looking at Columbia, S.C., and Lynchburg, Va.

**8 MCL**
Indianapolis
**Parent:** The MCL Cafeterias Inc.
**No. of units:** 27
**Volume:** $48 million
**Chairman:** Craig L. McGaughey
**1989 plans:** Opening one unit. Continuing an extensive remodeling effort begun two years ago.

**9 S&S Cafeterias**
Macon, Ga.
**Parent:** Smith & Son Foods Inc.
**No. of units:** 22
**Volume:** $45 million
**President:** James A. Smith III
**1989 plans:** Adding take-out doors and soup-salad-sandwich bars as an alternative to the serving line in selected cafeterias.

**10 Blue Boar Cafeterias**
Louisville, Ky.
**Parent:** The Blue Boar Cafeterias Co.
**No. of units:** 15
**Volume:** $20 million
**President:** Wesley Johnson
**1989 plans:** Testing buffet. Watching take-out experiments in use by other cafeteria operators.

2/20/89 C5150-5

*Seafood dinner houses face unique challeng*

Focus section follows page

*Off-premises feeding*

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*Haute cuisine holds the sauce*

Florence Fabricant/Page 9

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*The Weekly Newspaper of the Food-Service Industry*

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## *New operators polish image of Milwaukee*

### *Haute cuisine rivals beer and bratwurst*

**By Carolyn Walkup**

MILWAUKEE — A new breed of contemporary restaurants may finally succeed in upgrading the beer and bratwurst image of this Great Lakes city.

The newcomers are honing in on current dining styles popular in larger, more cosmopolitan cities. After a somewhat stagnant period for restaurant openings, several new operations have attracted wide local attention.

"In the next five years, I think Milwaukee will become very strong and will be looked up to by other cities in the country," said Todd Moro, general manager of DKC's Armadillo Grill. He sees opportunities ahead for restaurant operators and other businesses since the city and state governments have stepped up efforts to lure more white-collar businesses to the region.

NRN Photo

**Ocean Club Seafood Grill co-owners Steve Samata, left, and Doug Lane next to ceramic blowfish.**

Locally, major development is changing the face of an aging downtown. The new Bradley Center for professional and college sports, a Trammell Crow-developed high-rise that includes its Wyndham Hotel, and the future river walk along the Milwaukee River are significant attractions that will lur.. both tourists and local residents downtown.

"More has happened downtown in the last three years than in the preceding 30 years," said Jakob Weissgerber, who, with his brother, Hans, invested about $1 million in opening Third Street Pier restaurant, Hans-Jakob's Milwaukee

*(See **MILWAUKEE**, page 78)*

# Unit managers win fattest raises

### *Labor crisis boosts supervisor pay*

**By Rajan Chaudhry**

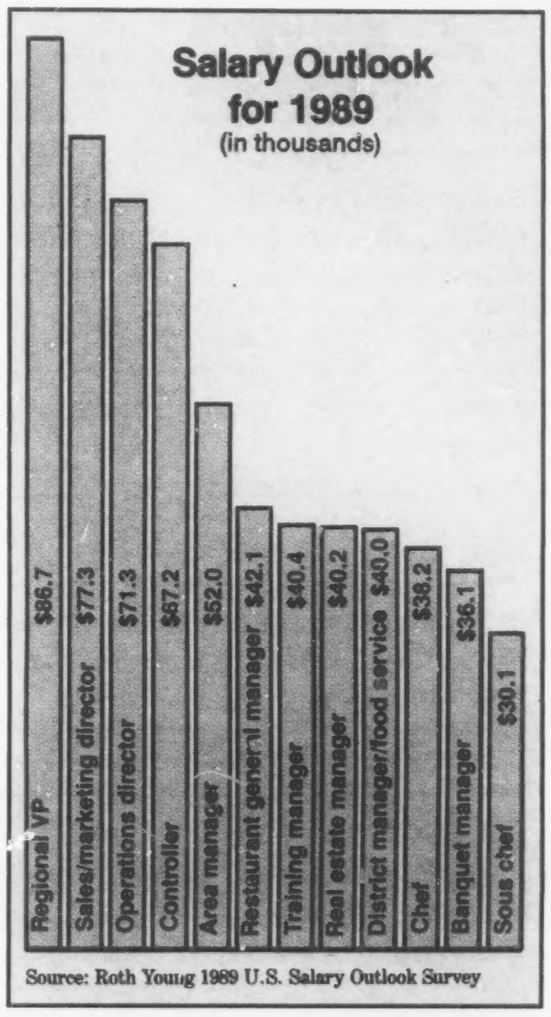
Although the fierce battle for market share is holding most salary increases to less than 6 percent this year, unit managers and those able to recruit and train employees are pocketing double-digit pay increases, according to industry executives and recruiting experts.

And a growing tendency to give unit managers a piece of the action, usually in the form of performance incentives, should widen their lead even further.

**Hourly wages rise as operators battle labor shortage**
**Page 4**

"Attracting unit managers and offering career opportunities is where some of the stiffest competition is," said Sharyn Wadsten-Iler, principal of De-

*(See **EXECUTIVE**, page 4)*




Source: Roth Young 1989 U.S. Salary Outlook Survey

# National Pizza alters course with bid for Skipper's chain

**By Peter Romeo**

PITTSBURG, Kan. — With Pepsico commandeering growth opportunities in the pizza segment, the largest franchisee of Pepsico's Pizza Hut chain is seeking new expansion vistas by attempting to buy the Skipper's quick-service seafood chain.

National Pizza, an operator of 322 Pizza Huts here, has tendered a $24.5 million cash bid for the Bellevue, Wash.-based fish specialist, whose 214 units are concentrated in the Northwest. National said it would retain Skipper's as a second business operated by the seafood chain's current management.

**Jefferson**

The takeover could jolt the sleepy fast-food fish business by bringing in a potentially formidable new competitor. National is widely regarded as a savvy operator with a proven deftness at marshaling rapid growth. Management has said it would tap that acumen to accelerate Skip-

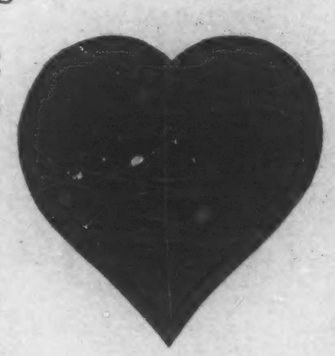
*(See **NATIONAL**, page 78)*

## FOOD WATCH

# *Love at first bite*

CHICAGO — Mareva's, a 100-seat Polish restaurant, plans to set aside at least one communal table Valentine's Day for single or unescorted customers.

"We hope strangers meet and fall in love," said manager Penny Iannou.



Mareva's is also offering a special five-course, $49-per-person Valentine's Day menu. Love-themed dishes include Symphony of Wild Dreams, an antelope tenderloin and pheasant combination with pear liqueur sauce; Cupid's Quail with Champagne black currant sauce; Passion and Love, grilled veal tenderloin medallions with passion fruit and heart-shaped truffles in a creamy Cognac sauce; and Butler's Borscht, a pink-and-red cold beet soup, and Scarlett's Cranberry hot soup, named for "Gone With The Wind's" Rhett Butler and Scarlett O'Hara.

Desserts also tug at patrons' heart strings: 1,001 Nights is a strawberry and white chocolate cheesecake, and Swan Lake is a cream-filled pastry with blueberry, pear, and cream sauce.

— Ken Frydman

CHARLES BERNSTEIN: INITIATIVE IS LEGISLATIVE ANTIDOTE — Page F3

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# NEWS DIGEST

## Church's stockholders withdraw tendered shares

SAN ANTONIO, Texas — A large group of Church's Fried Chicken shareholders have handed a setback to A. Copeland Enterprises, the chicken chain's unwanted suitor, by withdrawing shares they originally agreed to sell to Copeland for $8 apiece.

Their change of heart has reduced the number of shares either sold or tendered to Copeland to 25 percent of total issues outstanding, from 45 percent. The withdrawals suggest that Church's board has finally succeeded in persuading shareholders that Copeland's offer is inadequate.

Meanwhile, in a setback for Church's, a federal judge has rejected the company's request to permanently enjoin the takeover attempt by Copeland, which operates the rival Popeyes fried-chicken chain.

The denial quashes Church's chances of being snatched from Copeland's clutches at the last minute by the courts. Church's has sought in vain since last November to derail Copeland's attempt to buy its larger rival.

Copeland agreed to shelve its takeover plans until Feb. 17 in exchange for receiving privileged information from Church's. The deal permits Church's to continue its search for a "white knight" that could top Copeland's offer.

## Ramada narrows bidding for Marie Callender's

PHOENIX, Ariz. — Ramada Inc. has pared down the list of bidders for its Marie Callender's Pie Shops chain and is providing additional information to the finalists, company officials said.

One bidder, who asked not to be identified, said it appears that Ramada wants at least $50 million for the 150-unit, Southern California-based chain of family restaurants.

Ramada officials have said in documents filed with the Securities & Exchange Commission that they would like to sell the chain by July. The divesture is part of an attempt to avert a takeover by the Pritzker family of Chicago.

## Jim McMahon's restaurant closes after two years

CHICAGO — Jim McMahon's, the sports bar and casual restaurant here owned by Chicago Bears quarterback Jim McMahon and other investors, has closed.

The restaurant opened two years ago under a management contract with Lettuce Entertain You Enterprises. When that contract expired last year, the owners hired their own operations personnel. In November the owners agreed to let Heartthrob Enterprises, a nightclub chain, take the helm.

The place changed menus too frequently to cultivate a distinct image, observers said.

## Jack in the Box rolls new chicken sandwich

SAN DIEGO — Jack in the Box last week added a $2.79 grilled chicken fillet sandwich to the menu of all 950 of its fast-food outlets.

The new item is a skinless, boneless, marinated breast garnished with lettuce, tomato, Swiss cheese, and honey-mustard sauce, served on a whole-wheat bun.

Hardee's chain is testing a similar product.

## Pittsburgh fire officials snuff table-top candles

PITTSBURGH — Fire inspectors have begun enforcing a long-ignored civic ordinance that forbids restaurateurs from putting candles on guest tables without first obtaining permission from authorities.

Restaurateurs can also be fined $1,000 for using chaffing dishes or butter cups that are heated from below by a flame.

The regulation, which went into effect about the turn of the decade, requires operators to gain a fire marshall's approval before putting a candle or similar items with flames on table tops. The rule had been rarely enforced.

## Outhier to oversee Atlanta restaurant

ATLANTA — Louis Outhier, one of Europe's highest-rated chefs, will soon be putting his culinary stamp on a restaurant here, according to Swissôtel, the innkeeper whose hotels house Outhier's three establishments in the United States.

Swissôtel said it is about to begin construction of a new hotel in the Buckhead region. The 375-room property will include an as-yet-unnamed dining room that Outhier will oversee as executive chef, said Swissôtel.

Outhier's three American restaurants — Restaurant Lafayette in New York, Le Prince in Chicago, and Marquis de Lafayette in Boston — have garnered top ratings from local critics. His restaurant in France, l'Oasis, was given a three-star rating by the Michelin guide.

## Oregon hospitality groups merge to end 30-year feud

PORTLAND, Ore. — The Oregon Restaurant and Hospitality Association has agreed to merge with the Oregon Restaurant and Beverage Association in a move that officials say will give the state's food-service industry more clout with lawmakers.

The agreement calls for the new entity, as yet unnamed, to operate under the by-laws of Portland-based ORHA. Members of Salem-based ORBA are expected to fill about a third of the 50 seats on the new organization's board.

The plan was approved by both associations' staffers and members, signaling an end to a three-decade feud.

## Kumin named exec chef for Vie de France Corp.

McLEAN, Va. — Albert Kumin, a former pastry chef at the White House and several well-known New York restaurants, has been named executive chef of Vie de France.

Vie de France here operates a chain of bakeries and cafes. It also wholesales bakery items to other food-service operators.

Kumin had served as executive chef of Country Epicure, a pastry supplier that was acquired by Vie de France last year. Previously, he served as pastry chef at the White House during Jimmy Carter's presidency and cooked at the Four Seasons and Windows on the World in New York.

## Bankruptcy complicates McFaddin Ventures deal

HOUSTON — Lance McFaddin, co-founder of the McFaddin Ventures nightclub empire, has filed for bankruptcy protection, complicating the planned transference of his company to a group that includes former football star Walter Payton.

McFaddin had granted an option to buy his 56-percent stake in McFaddin ventures to Payton, businessman Paul Holmes, and nightclub operator Stuart Sargent. According to government filings, Holmes alerted McFaddin on Jan. 4, 1989, that the option would be exercised on Jan. 16, 1989. On Jan. 14 McFaddin filed for bankruptcy.

McFaddin subsequently granted Holmes and his group an irrevocable proxy to vote the 2.8 million stock shares covered by the option. Holmes and his partners are expected to wield their voting power to approve a merger between McFaddin Ventures and Leisure Acquisition, a company controlled by Sargent.

## Deck collapses, injures 15 at Calif. restaurant

MORGAN HILL, Calif. — Fifteen people were injured, three seriously, when an outside deck suspended 15 feet above the ground gave way at the Flying Lady II restaurant here.

Owners Irv and Jan Perch have agreed to pay to have the building inspected by structural engineers. Officials of Morgan Hill, a community 20 miles south of San Jose, said the restaurant cannot reopen until engineers declare it sound and the deck is rebuilt.

# Arctic front puts Alaskan operators on ice

By Alan Liddle

ANCHORAGE, Alaska — Memorable. Miserable. Costly.

Those words sum up the close of January and first days of February for scores of Alaska restaurateurs and distributors who tried to conduct business while a wicked Arctic front produced temperatures of minus 100 degrees and lower.

Among the woes that were reported by managers and owners during the subzero onslaught that lasted three weeks:

- Slumps in sales of 5 percent to 50 percent compared with last year's.
- Interruptions in supply lines.
- Frozen sewage pipes and water mains, even pipes buried 15 feet underground froze in some areas.
- Water damage caused by leaking interior plumbing that cracked after freezing.
- Fluctuating staff sizes resulting from changes in the weather and the inability of some employees to reach work.

"How's business? I'll tell you how business is: There are two of us sitting here, and we own the place," a somewhat feisty Frank Benson of Hobo's Yukon Inn in Galena remarked.

Benson's assessment came on a day when the temperature in Galena, an interior village, hovered at about 72 degrees below zero. On a more typical February day, he said, he and his partner would probably serve up to 25 customers.

Clinkerdagger's, Bickerstaff & Petts Public House, a high-volume dinner house in Fairbanks, was among the restaurants hit hardest by the super freeze.

Known to locals as "Clink's," the restaurant was closed for 10 days after water pipes froze and burst, causing thousands of gallons of the wet stuff to sweep through the building. Manager Rick Winningham, who said repairs cost about $89,000, estimated that the restaurant lost $50,000 in business during the closure.

In another section of Fairbanks, customer counts at Ken Hume's licensed Denny's plummeted along with the mercury, he said.

Hume said that during the cold spell sales at his Fairbanks unit fell off by 50 percent compared with last year's. His three Anchorage Denny's restaurants, he said, were down by an average of 33 percent.

To reduce losses, Hume said, "We've been cutting back employee hours as much as possible."

A few restaurateurs, including Ron Eagley of Gwennie's Old Alaska Restaurant in Anchorage, credited the cold with boosting business.

Eagley said he was taking in $300 to $500 more a day because of visits by the likes of stranded travelers and airline crews, people who had planned to go skiing but found the slopes closed, and fishermen waiting for a break in the weather so they could be shuttled out to relieve coworkers.

Godfather's Pizza district manager Mike Shoemaker said that while fewer people were stopping by to eat at his company's eight Alaskan units, sales remained somewhat level because delivery orders were up.

"It's a trade-off," Shoemaker said.

But Wayne W. Walker, president of A&W Wholesale Co., a Fairbanks supplier that handles 125 food-service accounts, said, "It [business] has been extremely slow as far as the restaurants go — both fast food and other [types]."

On that particular day, Walker said, there were five people who were working at A&W instead of the usual 13: "We [only] had 25 orders on the rollers this morning; the bulk of them were small."

In order to fill out his staffing roster during the cold spell, Bob Hugo, catering manager of the Westmark Hotel in Fairbanks, said it sometimes became necessary to add "chauffeur" to his job description.

"At times during the past week, taxi service has had four and five-hour waiting times, so I've had to go out and pick up a few employees," he quipped.

# Executives come out ahead

*(Continued from page 1)*

catur, Ga.-based Executive Development Services, an executive search and public-relations group specializing in food service and hospitality.

At Commack, N.Y.-based Sbarro Inc., for example, managers are eligible for one bonus tied to their stores' pretax earnings and another that gives them 5 percent of sales above the budgeted target, which is paid quarterly, and another 5 percent if yearly sales exceed budget by 10 percent or more.

Sbarro — which operates a rapidly growing chain of Italian restaurants, located mainly in malls — has implemented a franchise opportunity program that guarantees 100-percent financing for managers who have been with the company at least three years and have excellent track records. It also offers vacations and luxury cars as incentives.

"Without a doubt," said chairman Mario Sbarro, "a company that expands without giving serious consideration to the people side of picture is foolish."

Within the past year Nashville, Tenn.-based Shoney's Inc., whose operations include Shoney's and Captain D's restaurants, has added performance-based stock options to its list of incentives for unit managers. Shoney's already had other profit-sharing plans in place before the implementation of the new program.

And as a result of its partner-manager profit-sharing plan, French-bakery concept Au Bon Pain has cut management turnover to less than 5 percent from about 40 percent just a few years ago.

A 1988 survey by the National Restaurant Association placed the shortfall of employees in the nation's eating places at 200,000, and by all indications, that trend will continue for years.

Not only is the supply of new unit-level managers dwindling, but companies are also asking more from them. And salaries, profit-sharing plans, stock options, and perquisites are reflecting those pressures.

"The trend has been to increase skills at the unit level so that you get a well-rounded operator, somebody who can drive sales and is strong in hiring, training, and motivating," said Maurice Rowe, a recruiter specializing in franchise and family restaurants and a partner in Roth Young's Boston office.

"You're getting a well-rounded, highly skilled operator at the store level, so you're trading up in compensation," Rowe said.

David Neumann, Hardee's director of compensation, agreed: "These people aren't just cooks any more. They are running a million-dollar-plus business, and they need all the skills that a professional businessperson needs to properly manage a business."

The same forces that are fueling increases in unit managers' salaries are driving up the pay of franchise district managers, Rowe said.

"Because the marketplace is so competitive and so tough, both from a standpoint of driving sales and containing costs, a franchise field consultant or district manager has to be more than just a good hands-on multiunit operator. He has to be able to communicate marketing, management development, and finance advice," Rowe said.

"You can't just be good at one or two parts of the puzzle any more; you have to be good at all of them in order to win."

Because operators are dedicating more resources toward solving their labor problems and providing the higher levels of training required in today's marketplace, human resources specialists will earn hefty raises this year.

Training managers, for example, can expect salaries to rise to a median $40,000 this year, according to a forecast survey by New York-based Roth Young Personnel Service Inc. And general managers will get a median $42,100, according to Roth Young.

## CORRECTION

"Restaurateurs battle INS crackdown," page 1, Jan. 23, incorrectly said El Torito Restaurants had been fined 12 times for immigration law infractions since last June. The company has been audited 12 times but was fined only once for 12 alleged violations totaling $15,000.

* * *

"Wendy's sells 22 Fla. units," page 60, Jan. 9, misrepresented Wendy's assessment of the sale's effect on 1988 earnings. In fact, Wendy's said the divestiture would help the company approach analysts' earnings estimates of 30 cents per share.

# *More rises seen for hourly wages as operators battle labor shortage*

By Rajan Chaudhry

Hourly wages are expected to rise 4 percent to 6 percent this year as operators, faced with low unemployment and a declining number of teen-agers in the labor force, compete to attract and retain workers.

By the year 2000, the U.S. Labor Department estimates, the number of 16- to 24-year-olds will have dropped 3.5 percentage points, to 16.3 percent of the work force. And according to a recent survey of Monthly Labor Review data, fast-food counterpersons logged the lowest median stay in their jobs — one and one-half years — of all positions audited.

Managers who haven't already raised wages probably will this year. A survey of restaurant managers conducted last year by the National Restaurant Association revealed that 31 percent had already raised starting wages and 23 percent expected to raise them.

In addition to higher base wages, more and more operators are adding to their arsenal of worker incentives through performance-linked bonuses, scholarships, and day-care programs.

Rocky Mount, N.C.-based Hardee's, for example, gives its hourly employees a piece of the action through a profit-sharing program being tested in some 40 units.

A Hardee's unit in Stillwater, Minn., provides day-care assistance for working mothers.

And a Burger King in Detroit, Dairy Queen restaurants in Texas, and North Canton, Ohio-based Country Manor Family Restaurants offer college scholarship programs for their employees.

Herb Schervish, owner of the Detroit Burger King, spent $10,000 for employees' tuition at a local community college but saved much more than that through decreased turnover and a 3-percent increase in productivity.

According to a study conducted by California State University at Fullerton, annual turnover among Schervish's college-enrolled workers was 58 percent vs. a 240-percent rate for his other employees. In 1986 and 1987 employee departures cost the unit $62,000 in training and expenses.

The success of the Burger King program has since prompted the Michigan Food and Beverage Association to endorse it for its members.

Country Manor also provides financial aid to employees.

Under Country Manor's Special Student Bonus Program, students who agree to work through Labor Day 1989 and save 50 cents per hour toward their tuition receive a bonus equal to half the money saved. And the first 50 students who enroll receive a $50 savings bond. Country Manor's starting wage is $3.50.

Hardee's Stillwater unit targets another segment of the work force: the working mother.

The unit pays the $50 enrollment fee and half the expenses at a local day-care center and expands that to cover 75 percent of the costs if the working mother stays at least one year.

**Wage rates for hourly employees**

| Title | Median hourly wage* |
|---|---|
| Chef | $9.80 |
| Baker | 5.75 |
| Cook | 5.71 |
| Assistant cook | 5.00 |
| Salad preparation worker | 4.75 |
| Host/hostess | 4.75 |
| Bartender | 4.75 |
| Short-order cook | 4.64 |
| Janitor/porter | 4.57 |
| Cashier | 4.50 |
| Cafeteria server | 4.25 |
| Dishwasher | 4.25 |
| Counter worker | 3.90 |
| Busperson | 3.50 |
| Waiter/waitress | 2.35 |

*excluding tips

Source: National Restaurant Association, 1988 data

# FOCUS | OPINION

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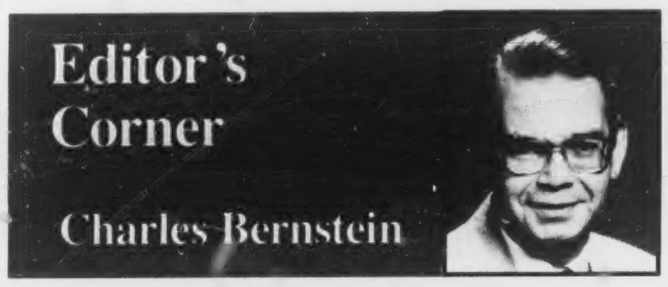
# Legislative antidote: Industry initiative

If anyone thinks the minimum-wage battle or any of the Capitol Hill struggles were really won last year, take another look. Almost the same legislation is proliferating early in the new Congress, and President Bush has indicated a commitment to feasible social legislation.




Rep. Gus Hawkins, D-Calif., has introduced new legislation to raise the federal hourly minimum wage from a current $3.35 to $4.65 in three annual stages by 1992. The bill stands an excellent chance of passage. The fourth-stage provision for a rise to $5.05 — which contributed to the bill's 1988 defeat — has been dropped.

At the same time the proposed law would offer the food-service industry some consolation in that it would finally raise the tip credit from a current 40 percent to 50 percent. Employers thus could count tipped income for half their minimum-wage obligations.

In addition, the bill would exempt companies with less than $500,000 annual sales from the federal minimum-wage provisions, instead of the current $362,500 ceiling. Still, only individual restaurants with below-average sales would in effect be eligible for the exemption.

It well may become a political necessity for the industry to agree to some sort of minimum-wage bill. Arguments repeatedly raised against higher minimum wages have merit but don't necessarily impress consumers and politicians anymore; for example, that passage of such a bill would backfire and lead to reductions in work hours, number of new workers hired, and restaurants able to survive.

The National Restaurant Association asserts that minimum-wage legislation would not help the "poor" household heads it is designed to aid and that a new plan should be drafted to directly help the working "poor" without impeding the economy's growth. We would like to see the NRA's proposal presented in specific terms as soon as feasible.

Once again, the industry is being made a scapegoat for the huge federal deficit. Leaders must take the offensive and devise a far more positive strategy, rather than merely sniping at all the legislation being reintroduced.

An encouraging sign is that Rep. Hank Brown, R-Colo., has again launched legislation that would repeal the reprehensible year-old law requiring restaurateurs to pay FICA taxes on all reported tips. That bill marked the first time in history that employers were obligated for payroll taxes on non-payroll income. In 1988 Brown appeared to have support from 67 congressmen to repeal the legislation, but it never got out of the House Ways and Means Committee.

This bill cost the restaurant industry an estimated $200 million last year, and the toll is likely to double this year — to say nothing of the horrendous paperwork. The burden falls most heavily on the small restaurateur who can least afford it.

Also in the offing are renewed efforts to gradually reduce the 80-percent business meal tax deduction — which was chopped from 100 percent two years ago — to 50 percent and less. A plan introduced last year by Sen. Bill Bradley, D-N.J., to trim down the 80-percent figure was soundly defeated, but we might not be so lucky this time.

Another measure destined for reactivation and possible passage involves mandated job leaves for parents of ill or newborn children. Here the industry's challenge is to switch the focus of the "work-family" issue to child care — not the easiest approach, since 67 various child-care proposals were introduced in Congress last year and went nowhere.

But one of these plans, the Act for Better Child Care Services, might pass this time. It would establish child-care federal regulations and matching grants to states. The resultant affordable programs would encourage non-profit child-care centers and would bring into the work force many employees who otherwise would have to stay home with their children.

Such constructive legislation would also aid restaurant employers who desperately need a wider labor supply. An initial annual cost projection of $2.5 billion is a possible obstacle.

Mandated health legislation won't go away and would in effect penalize restaurants. It would require extensive health benefits for employees who work at least 17.5 hours a week. Employers would have to pay 80 percent of the premiums and would be subject to 10-percent penalties on annual wage expenses for non-compliance.

The Concerned Alliance of Responsible Employers (CARE) — a coalition of companies and trade groups, including the NRA — has been battling against employee benefits legislation. But we see real hope in a positive alternate plan being advanced by Sen. Orrin Hatch, R-Utah, to find another way to handle workers who have no medical insurance and desperately need it. Rather than mandating health benefits, this plan would provide incentives to employers, encouraging them to give health-care benefits.

In these legislative matters, the free-enterprise system, with incentives and voluntary actions in a free economy, is far preferable to mandated government actions moving toward socialism.

Why should restaurants have to bear an unfair burden of revenue-raising efforts to solve the monumental federal deficit crisis? This becomes even more of a threat if President Bush's lips were read accurately and federal taxes or even gasoline taxes won't be raised. It certainly won't help anyone if financially hard-pressed restaurants are further pushed to the wall economically and jobs are lost.

The industry should not walk away from its obligations. Nor should the government use restaurants as convenient revenue-raising scapegoats. Most of all, food-service leaders must offer positive alternate solutions.

## LETTERS

### *Former BK insider shares views on chain's turmoil*

Editor, NRN:

Regarding your Dec. 19 article "BK Shuffle: Turnover Mirroirs Turmoil":

How sad the BK chronicle is! And, you know, it's even sadder because in 1978-79 BK was the toast of the industry. All indications (sales, market research, and so on) pointed to BK's finally closing the average sales-unit gap between itself and McDonald's. We had Big Mac on the run.

As an "insider" for many years, I would like to share a perspective on exactly what happened. We had spent eight years in getting BK moving. While I was vice president and executive vice president of marketing for those years (I guess I hold the longevity records for this position by a mile), we first brought out "Have It Your Way" in 1973-74 to start some momentum. Then in 1977-78 we got a marketing steamroller going.

The steamroller consisted of a three-part program: the Magic Burger King kids program, the line of specialty sandwiches, and Don Smith's ability to get massive funds from Pillsbury to remodel our restaurants and improve our back-room production.

Then, in 1979, three events combined to "kill" our momentum and the turmoil you so aptly described since then has done the rest. The three events happened rapidly:

(1) First, although they all admitted to great success with the kids' program, the franchisees began to "waffle" in their support. Many markets dropped the extra 1-percent ad contribution for the program just when the program reached the zenith of its success.

Campbell dropped all kids' advertising in the early '80s, in my opinion a dreadful decision.

(2) Second, the two key architects of the master plan to overtake McDonald's, Don Smith and yours truly, left the company. You've chronicled his story. Mine is equally simple. I was terribly frustrated by lack of franchise support and Don's insistence on putting key people under me in the marketing department that I didn't want.

So I welcomed an opportunity to be executive vice president of Arby's when it was offered.

(3) Third, a vacuum in leadership followed these departures. That led to a mad scramble for power, which, in turn, created the need to change things for the sake of change. The early success in the '80s came, in my opinion, from our late '70s momentum, but it was also based on a strategy rather than any long-term strategic thrust.

In short, the leadership in marketing gravitated to "pleasing the franchisees," rather than leading them through consumer research and consumer test results.

On a personal note, I am still rooting for BK and wish you and all my other friends in the industry the very best of everything.

**— E. Christian Schoenleb**
*vice president, franchise operations/East*
Midas International Corp.
Chicago

CS150-5
3/14/84

NEWSPAPER

**Regional chains stay close to customers**

Focus section follows page 30

**Imperfect tableware tur**

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**Nostalgic dining featured in LA**

Richard Martin/Page F56

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# Bush sets showdown on $4.25 wage

## *Senate poised to fight for hike to $4.65 an hour*

By Ken Rankin

WASHINGTON — The Bush administration's new "take-it-or-leave-it" proposal for a $4.25 minimum wage sets the stage for a dramatic Senate showdown on the issue this week.

President Bush's plan, unveiled by U.S. Secretary of Labor Elizabeth Dole at Senate hearings earlier this month, would raise the current $3.35 hourly minimum by 30 cents during each of the next three years.

In contrast to the administration's proposed 27-percent increase, separate measures under consideration in both houses of Congress call for a 39-percent hike, to $4.65 per hour.

Bush's proposal also calls for raising the restaurant industry's so-called tip credit to 50 percent from 40 percent, reducing the amount of employers' tax liability for tipped workers.

In addition, Dole said, President Bush's plan will include "a meaningful training wage" under which food-service operators and other employers would be entitled to hire new workers at less than the prevailing minimum hourly rate. She indicated that the subminimum rate may be the current pay floor of $3.35.

According to Dole, that subminimum training wage "would apply universally to all new hires, whether or not this

*(See **WAGE**, page 114)*

# *Trattoria Dell'Arte blends anatomy and gastronomy*

By Milford Prewitt

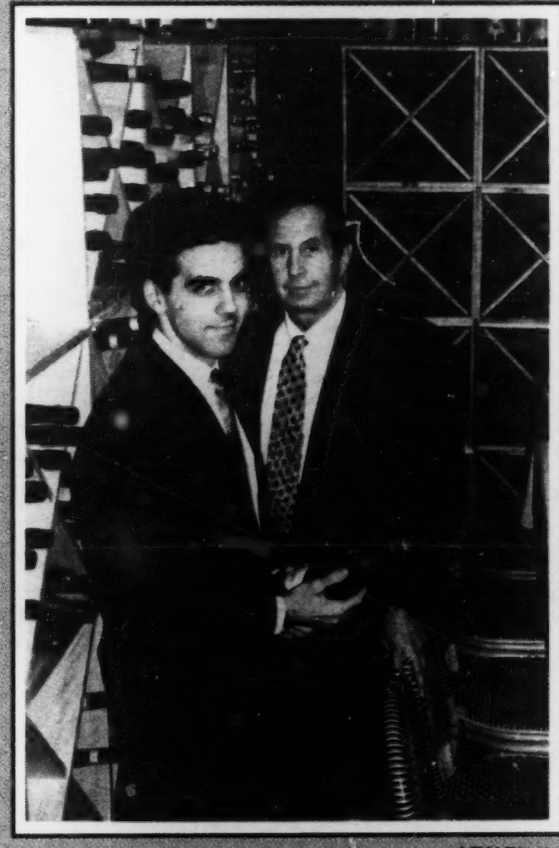
NEW YORK — The nose might be too bland an organ for the art world to revere, but Trattoria Dell'Arte just might change that image.

The human proboscis, primarily the Italian variety, is being venerated in this new Italian restaurant whose first-time diners and passers-by might mistake it for some kind of new wave art gallery.

Diagonally across the street from Carnegie Hall at 57th Street and Seventh Avenue, Trattoria Dell'Arte is hard to ignore, especially at night when the operators illuminate a huge, white nose in a second floor window.

Adorning the walls of the two main dining rooms are enormous sculpted bas-reliefs of parts of the human anatomy. A single breast commands attention above a dining booth, while on anoth-

*(See **TRATTORIA**, page 4)*



NRN Photos

**General manager Richard Spera, front, and owner Shelly Fireman.**

**Trattoria Dell'Arte contains da Vinci-like body sketches on the wall.**

# COEX attendees tag LBOs as top concern for industry

By Rick Telberg

ORLANDO, Fla. — Leveraged buyouts are in the vanguard of a barrage of social and political forces that are reshaping the food-service industry, attendees at a major chain-restaurant conference were told.

"I predict colossal failures of major, major chains," market researcher George Rice of GDR Enterprises told some 1,200 attendees at the 16th annual Chain Operators Exchange here.

And in a chilling show of hands, a majority of the audience agreed with his assertion.

As the lead speaker and chief author of the research papers presented at the conference, Rice set the tone of the three-day affair, which attracted executives from about 675 supplier companies and 140 food-service chains. The sponsor of the meeting, at the Marriott Orlando World

*(See **COEX**, page 114)*

# Copeland drafts debt-eating plan

## *Eyes marketing, assets*

By Peter Romeo

LAFAYETTE, La. — Facing interest charges of more than $100,000 per day, Alvin Copeland is relying on a combination of marketing refinements and rapid asset sales to recoup the $445 million he borrowed to acquire Church's Fried Chicken.

Subordinates cited the marketing plan as evidence of Copeland's determination to rebuild 1,366-unit Church's into a strong second restaurant line, instead of absorbing it into his 710-store Popeyes Famous Fried Chicken fast-food chain.

"We will close additional [Church's] stores and convert a number of stores to Popeyes units, but our main goal is to grow both

*(See **COPELAND**, page 4)*

## FOOD WATCH

### *Turkey galore*

CULVER CITY, Calif. — As the name implies, The Turkey Basket restaurant on Jefferson Boulevard features nothing but the traditional Thanksgiving favorite.

Only desserts and beverage categories fail to list some variety of farm-raised dark- or white-meat turkey. Otherwise, it's turkey vegetable soup, turkey burger, turkey drumstick, barbecued turkey wings, turkey deli sandwich, teriyaki turkey bowl, turkey chili bowl, turkey pita pocket, hot-turkey sandwich platter, turkey barbecue sandwich, Oriental turkey salad, a turkey taco and turkey dog, the turkey basket family take-out, turkey stuffing and turkey gravy, and turkey party platters for 10, 15, or 20 people.

A year and a half ago, owner Carol Perrin got the idea for the Turkey Basket as a culinary solution for people on low-salt diets. Therefore, Turkey Basket dishes are naturally oven-roasted on the premises daily without salt or preservatives.

— Ken Frydman

CHARLES BERNSTEIN: THE ROOM-SERVICE NIGHTMARE — PAGE F3

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March 13, 1989

# NEWS DIGEST

## National Pizza calls off plans to acquire Skipper's

PITTSBURG, Kan. — After suffering major setbacks on two fronts, National Pizza, a Pizza Hut franchisee, has accepted defeat in its attempt to acquire the Skipper's quick-service seafood chain.

The pizzeria operator threw in the towel after its $9.25-per-share cash tender offer failed to draw two-thirds of Skipper's total shares outstanding. Skipper's board had urged stockholders to hold out for a higher price.

National had also been handed a defeat by Pizza Hut, which had threatened to sever its licensing agreement with National if it acquired Skipper's. In that situation, Pizza Hut had warned, National could be expelled from the system. It had sought to negotiate a compromise with Pizza Hut, but the franchisor refused to budge from its position.

## A & W inks deal to absorb snack units into chain

DETROIT — A & W Restaurants said it has signed an agreement that calls for the Hot Dogs & More snack-bar chain to convert 200 of its mall locations into a new hybrid concept called A & W Hot Dogs.

The conversion, which is slated to be completed by 1991, would expand the number of restaurants owned or franchised by A & W to 675.

The licensing agreement with Carousel Snack Bars, operator of the Hot Dogs & More chain, grew out of a test situation in which 20 outlets added A & W Root Beer to their menus, according to the parties involved.

## Polcari family sells stake in Pizzeria Regina chain

BOSTON — Boston Restaurant Associates, the Polcari family's restaurant company here, has agreed to sell a 50-percent stake in its Pizzeria Regina chain to a publicly held investment company called Zenox. The price was not revealed.

Boston Restaurant Associates said it would continue to operate the chain, which generated an operating income of $600,000 on sales of $6.5 million during 1988.

The Polcari clan operates Polcari's and a number of other restaurants here.

## Sisters chicken chain files for protection from creditor

NORTH OLMSTEAD, Ohio — Sis Corp., operator of the Sisters Chicken and Biscuits quick-service chain, said it has filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code.

Sis Corp. defaulted on outstanding loan payments last September but was granted an extension by its lenders to refinance about $7.7 million in delinquent payments. The creditors have since indicated that they will seek redress under the terms of the loan agreements.

Sis, a former franchisee of Sisters, bought the chain from Wendy's International Inc. in 1987.

## SEC probes insider trading during Pillsbury takeover

MINNEAPOLIS — A former partner in one of Minnesota's largest law firms is under investigation for allegedly using insider information to trade securities of Pillsbury Co. during its takeover by Grand Metropolitan PLC, the law firm has confirmed.

In November, while Pillsbury was attempting to fend off the takeover, it said the Securities and Exchange Commission was probing irregularities in the trading of the company's securities. But the subject of the scrutiny was not disclosed until Dorsey & Whitney, a law firm here, told its employees that the target was a partner who had resigned the day before. The concern itself is not being investigated, Dorsey & Whitney said.

Dorsey & Whitney would not disclose its role in the takeover at Pillsbury.

## Le Peep promotes Rhoads in complete changeover

DENVER — A changeover of top management at Le Peep has been completed with the promotion of Mitchel E. Rhoads to chairman of the 64-unit breakfast-and-lunch chain.

Rhoads, who replaces chain co-founder Allen Bernstein, remains president and chief executive. He assumed those posts from Bernstein in mid-January, joining Le Peep from a regional post at Burger King.

Late last year a majority of Le Peep's directors resigned, reflecting the increased influence of principal shareholder Eli Jacobs.

## McD to operate units in Toronto Skydome

TORONTO — McDonald's of Canada Inc., a 600-unit subsidiary of the U.S. corporation, said it would assume all quick-service food concessions at the Skydome, a new arena here.

Slated to open in May, the Skydome will host concerts, baseball's Toronto Blue Jays, and the Toronto Argonauts of the Canadian Football League.

Four McDonald's franchises will operate within the Skydome, with each unit offering an abbreviated version of the chain's standard menu.

One of the restaurants will have a 465-seat capacity, making it one of the largest McDonald's in North America.

## Brendan Walsh airs plan to open a NY restaurant

NEW YORK — Brendan Walsh, the young American chef who gained a following while he cooked at Arizona 206, the Southwestern restaurant here, has confirmed reports that he plans to open his own place.

The restaurant, as yet unnamed, will be located in SoHo, a region abounding in art galleries. Walsh has indicated that the place will feature American fare.

Since leaving Arizona 206's kitchens several months ago, Walsh has been advising other restaurants and cooking for rock star Bruce Springsteen.

## Two Pesos sues 3 insurers to recoup Taco Cabana fine

HOUSTON — Two Pesos Mexican Cafés has filed a lawsuit to force three insurers to pay $2 million that the restaurant operator has been ordered to pay in damages to archrival Taco Cabana.

Two Pesos said the insurance carriers have declined to cover the amount and all related legal costs. In addition, the operator alleged, the three refused to settle the suit before it went to trial and declined to pay premiums on the bond while the judgment is appealed.

The suit was filed one day after one of the carriers, Aetna Casualty and Surety Co., brought its own action, asking for a declaration that it is not responsible for the damages or the legal bills.

Also named in Two Pesos' suit are United State Fidelity and Guaranty Co. and Federal Insurance Co.

Two Pesos was ordered in December to pay $2 million in damages to Taco Cabana for stealing trade secrets.

## Dodge leaves Stanford to open bakery-cafe

SAN FRANCISCO — Longtime Stanford Court Hotel pastry chef Jim Dodge has resigned and is preparing for the spring opening here of a bakery and cafe named after his book, "American Baker."

Joanne Vasquez has replaced Dodge as pastry chef at Stanford Court, according to Larry Vito, executive chef for the hotel. Vasquez, who studied with Dodge, came to the Stanford Court from Campton Place Hotel about a year ago, Vito said.

**Compiled from staff and news reports**

# FOCUS | OPINION

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## The room-service nightmare

Editor's Corner

Charles Bernstein

Room service, please. So many of us try to utilize the apparent convenience of room service in hotels and usually have the highest expectations that this time everything will be fine.

Why do we still call room service after being repeatedly burned by slow responses and an overpriced setup? Perhaps partly because we are spoiled and pampered, always expecting the best. Nevertheless, room service should be a time-saver, a splendid way to get ready for a meeting while we order breakfast or lunch.

Yet we are invariably disappointed. The basic point of room service is that it should be fast and efficient. Typically, we call in our order, either to a courteous voice on the other end of the phone that promises rapid delivery or to a harried voice that implies we'll be lucky to receive our meal at all.

In either case the result is usually the same. Rather than the 15- or 20-minute service expected, it stretches on to 45 minutes or even an hour. One is kept guessing the answer to this truly amazing question: How can anyone devise a system that takes this long to deliver orange juice, toast, and coffee or a sandwich and coffee or perhaps something more elaborate?

God forbid that the simple order should be delivered in 10 minutes, as may be the case when an individual is in the shower and assumes the normal delay.

The name "room service" implies that this is a service the hotel is happy to offer and that it will be carried out with efficiency. Yet even in some of the best hotels this is not likely.

When the meal or snack finally arrives a half-hour later than was promised, we ask what went wrong this time. Answers invariably range from "we're sorry, but we are terribly busy today" to "some people on our shift didn't come to work today, so we were delayed in our deliveries."

Since a room-service charge of $1.50 or $2 is tacked onto the bill and a 15-percent mandatory service charge is often included, the type of shoddy room service that many hotels — independents and chains alike — provide is inexcusable.

It is a sad commentary, too, that room service is the one area where a mandatory service charge has caught on. This may reflect a fear that angry customers would not leave tips.

Contrast this pathetic situation with that in Japan, where it seldom takes more than 10 minutes for breakfast or lunch to be delivered and where dinner arrives within 25 minutes. Japanese hotels have developed the systems to ensure maximum speed and efficiency.

Nor does quality improve in the process. There is absolutely no law decreeing that if one waits an hour for a meal, the quality will be enhanced.

Actually, it is not so much the system that is at fault in American hotels as it is a lack of training and a lack of concern for the customer — the poor guy or gal waiting endlessly in a room for the food to arrive.

There was a time when the service in some of the hotel restaurants varied from atrocious to fair. But in the past few years hotels have become aware of the potential of food service in their own restaurants as a way to enhance the entire hotel, attract more customers from outside, and contribute significantly in revenues and profits. Service has improved considerably as a result.

But room service somehow remains a stepchild, taken for granted and even neglected. When the facility is properly operated, it can be more productive and more profitable than any restaurant in the hotel.

Room service should not be provided grudgingly as a necessity. Rather, it should be emphasized as a happy experience for the customer. Instead, we find the department closed at many hotels in major cities as early as 10 p.m. or 11 p.m. despite the fact that people often don't have other meal or snack options late at night.

This refusal to operate room service late at night or even all night for snacks and drinks is inexcusable.

Furthermore, the hallways of hotels on occasion are littered with the discarded meal trays of people who finally got fed up waiting for room service to take away the trays. It only proves that slowness is typical of meal delivery as well as tray removal.

Fortunately, there are exceptions to these generalizations, and some hotels do realize the critical importance of room service to both the bottom line and a hotel's complete image. We hope more will start viewing the service as a genuine opportunity rather than a necessary nuisance.

## LETTERS

### *Food-service industry: Take care of employees!*

Editor, NRN:

I am confused. In the same issue of NRN, articles appear about the terrible difficulties we will be in if the minimum wage goes up. Close to the same article is an article bemoaning how hard it is for the industry to attract qualified employees.

Are the two things intertwined? Are there labor shortages because the pay is too low? Is the reason the dwindling number of younger workers?

Or is the industry unable to attract a great number of employees because of the past sins of food service?

I speak to high-school students, trying to educate them about the opportunities in the industry. They will not apply at a restaurant because they are convinced that the pay is low and the work is a dead end. They have such a perception because the industry has allowed them to have it.

What the general public — which is where our employees come from — sees is the industry opposing anything that will benefit the employees.

Several years ago I heard a real-estate person talking about the local licensee of a very large chain. I remember his words well. He said, "So-and-so just uses 'em up and burns 'em out on purpose. They know that someone else will come along."

Was that true? It didn't matter because the perception was that it was true. Is his opinion typical of the general public? I think so.

A girl I dated many years ago wouldn't go out with me a second time when she found out I owned a restaurant. She married a lawyer, but that's a different story.

As you know, the minimum wage went up in California. Where are the articles about the severe depression hitting the California restaurant industry? Where are the news reports about all of the restaurants going broke?

Wasn't that the crux of the argument used against raising the minimum wage? Was the industry just crying wolf, as the general public must now believe?

In California before the minimum wage went up, many of the operators I spoke to were somewhat amused. When I asked them what impact it would have, they usually said it would have little or no effect.

Why? Most of the operators were paying well over the minimum already. Did the media cover that? No. The general public believed the pattern was low pay and a dead end.

Is the California restaurant industry in dire straights? Articles about the big chains suggest otherwise. There have been record profits and mergers. Most operators I've spoken to say things are fine.

Why? Because they were able to raise p rices to compensate for the increased labor. Is the labor percentage higher? Sure.

Are more dollars coming in and filtering to the bottom line? Of course.

Just the other night I went to eat at a fast-food hamburger place. In the window at the drive-thru was a sign advertising for help wanted. The starting pay was $6 an hour, well above the minimum wage.

Obviously this operator felt that increased pay was the answer to finding help. Wouldn't most of the operators agree? Does anyone actually know of a restaurant that went out of business because the minimum wage went up? I would like to hear about it.

Should food service be fighting to acquire an image of being responsible corporate citizens, of being an industry that has the welfare of its most precious resource at the forefront? Probably, but right now it is apparent to the general public that "we'll use 'em up and burn 'em out, because there is always someone wanting a job."

Some companies do a great job of providing for their employees. We never hear about them, though.

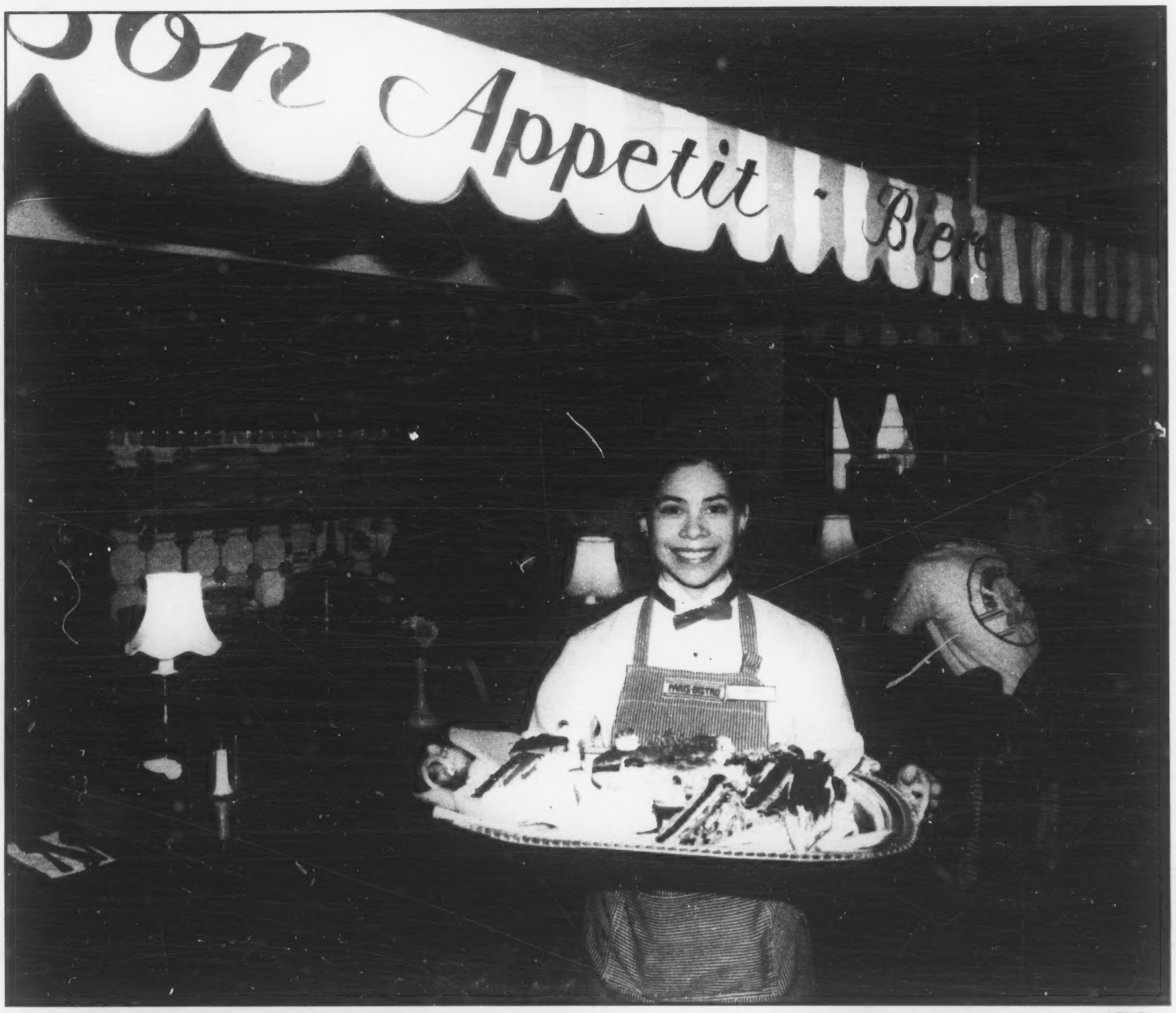
Shouldn't we take a pro-active stance about promoting the successes of the industry? Wouldn't that make better headlines in the local paper than this: "Restaurant spokesman says, 'One-half of all restaurants will close if minimum-wage bill is passed'"?

As more and more industries are created and grow in the service sector, the ones that can provide employees with good working conditions and decent pay will have no trouble finding qualified help. With the black eye we now have, isn't it time to work on a face-lift?

**— Karl Lampe**
Creative Contests
San Diego, Calif.

# FOCUS | REGIONAL CHAINS

*Regional multi-unit operators are outfoxing their national competitors in many markets by staying closer to customers and employees — and reacting faster to their changing needs. At the same time, these operators enjoy greater marketing efficiencies and purchasing power than their independent rivals. In close-up profiles, Nation's Restaurant News examines some key regional players from around the country.*




NRN Photo

**Mimi's attractive array of pastries is merchandised on a silver tray brought to each table.**

# MIMI'S: A HYBRID WITH MASS APPEAL

## *Family restaurant or dinner house? Mimi's has been able to cross over between these two segments by keeping standards high, costs low, and customers happy*

**By Richard Martin**

LOS ANGELES — The French-flavored Mimi's Cafe chain, an 11-unit group operating in Southern California, has carved out a lucrative market niche somewhere between the family-restaurant and dinner-house segments.

As a hybrid, the high-grossing Mimi's Cafes might be called "gourmet" coffee shops or family dinner houses. On the basis of operating style, price points, and general menu orientation, the chain is closely related to the family category.

However, Mimi's has a stronger kinship to the dinner-house segment, in terms of sales volumes, theme decor, gastronomic flair, and the chain's 34-percent-of-sales food costs.

With a check average of $5.50 at lunch and $7 at dinner, the 11-year-old concept is positioned on middle ground between the two segments.

Chain president Tom Simms believes Mimi's Cafe successfully bridges the industry's most basic gap — the dichotomy between convenience-based formats and "destination" restaurants.

"We've been lucky enough to appeal to both markets," says Simms, whose 225-seat restaurants generate average annual sales of nearly $2.6 million by attracting a widely varied clientele. Customers of the colorful and stylishly decorated Mimi's include "everybody," Simms remarks.

"People in lower income brackets use Mimi's as a dinner house; professional people use us as a business lunch place," he explains. "Upper-income people use us as a place to get a quick bite to eat. We do a lot of family business because of our price structure."

Forty percent of sales at a Mimi's are generated from 7 a.m. to 4 p.m.; 60 percent come between 4 p.m. until closing at 11.

Budget-minded connoisseurs of "*bières et vins*" even have a reason to "use" the restaurants. Although beer and wine account for only 6 percent of sales and selections are limited, Mimi's offers eight wines by the glass and the bottle. Beer choices include six prestige imports (vs. only five domestic labels).

**Mimi's Cafe**
Los Angeles
**Founded:** 1978
**Number of units:** 11
**Annual Sales:** $28.5 million
**Average per-store sales:** $2.6 million
**Per-person average check:** $5.50 lunch, $7 dinner
**Leadership:** Tom Simms, president
**Ownership:** SWH Corp.

*Chain president Tom Simms believes Mimi's Cafe successfully bridges the industry's most basic gap — the dichotomy between convenience-based formats and 'destination' restaurants.*

Mimi's Cafe's Los Angeles-based parent company, the Simms family-controlled SWH Corp., traces its genesis back to the 1940s. After World War II, Tom Simms' father, Arthur J. Simms, and his partner, Bob Ehrman, launched their first Ben Frank's coffee shop, alongside the old Red Line trolley route at Eighth Street and Western Avenue in Los Angeles. Another branch soon followed at Olympic Boulevard and Vermont Avenue.

A.J. Simms, who today is chairman of SWH, opened the third Ben Frank's in the late 1950s on Sunset Strip in West Hollywood. That sole-surviving landmark branch of Ben Frank's was joined in the 1970s by two other Simms operations, whose styles presaged the company's upwardly mobile evolution.

The trendy French Quarter, a sidewalk cafe in West Hollywood, was opened in 1974 by Arthur and Tom Simms. Two years later they purchased from the late Wally Botello, founder of the Velvet Turtle dinner-house chain, an upscale coffee shop called The Kettle, in suburban Manhattan Beach. Botello and Arthur

*(See **MIMI'S**, page F10)*

# FOCUS | REGIONAL CHAINS

## MIMI'S APPEALS TO MANY

*(Continued from page F8)*

Simms were partners for 10 years in another upscale coffee-shop operation, the Wooden Shoe chain, which operated in suburban Los Angeles.

This year Ben Frank's, French Quarter, and The Kettle will add an estimated $8 million in sales to the projected $28.5 million SWH will gross from the Mimi's Cafe chain.

"The coffee shop days ended," explains Tom Simms, "back in the 1970s because of [rising] land values. In order for the restaurants to work, we had to do more volume to pay higher rents and to [finance] more deals."

Out of that need came the Mimi's Cafe concept, which featured decor and food that were upgraded "always with our minds on value," Simms says.

The first Mimi's opened in 1978. Starting in 1981, three more followed, at the rate of one per year. In 1984 the chain began developing one new restaurant every eight months on average, a rate that has continued ever since. The typical 6,400-square-foot Mimi's currently costs about $640,000 to build and $450,000 to equip.

For now, at least, SWH Corp. will continue to reject buyout offers from larger food-service concerns, while it looks to open new outlets in Southern California beach towns. Mimi's will remain "in the family and expand according to the capabilities of our management and supervision staff," Simms remarks.

Despite Mimi's success in suburban Orange County and Los Angeles County communities, few direct competitors have attempted to clone the chain's upscale formula. "One reason people don't get into this slot is that it's not easy," Simms says. "We took a big gamble when we started. In our restaurants it all comes down to value."

While the chain mass-produces soups, sauces, and salad dressings at a small commissary, the individual restaurants roast their own fresh turkey, beef, and chicken. They also bake their own muffins, rolls, and some pastries.

In addition to stylish food presentations and the restaurants' French provincial ambience, high perceived value comes from pricing that keeps food costs, as a percentage of sales, at least five points higher than, say, Denny's.

Still, "our margins, volumes, and growth have been good during some pretty tough times for restaurants," Simms says. "We're happy," he adds, placing profits at about 15 percent of sales. That figure has been subject to recent fluctuation, however, because of a leap in labor-cost percentage, from 24 percent to 27.5 percent, following the increase in California's minimum wage from $3.35 to $4.25.

Simms says the restaurants' general managers, including the eight to whom equity partnerships have so far been granted, are vitally important in assuring the continued loyalty of patrons. "Training, knowledgeable employees, and great service are what it's all about," he says.

Mimi's Cafe, confident in its strengths as a regional operator, seems unperturbed by looming competition from large companies that are upgrading their midscale concepts, such as the new Allie's chain devised by Marriott Corp.

"We've done battle with outfits like Marie Callender's and Fuddruckers, and we've seen others come and go," Simms says. "Those big chains get so unwieldy that they can't train properly. A regional operation can react quickly; a national chain is trying to make national changes, and those don't work all over."

### *Mimi's Cafe*

**Menu Sampler**

| | |
|---|---|
| *Oeufs et Pain Perdu (eggs, bacon, or sausage, with cream-cheese stuffed with French toast and orange marmalade)* | $5.25 |
| *Mushrooms and Jacque omelette (with jack cheese, Lyonnaise potatoes)* | $4.50 |
| *French market onion soup* | $3.25 |
| *Le hamburger* | $4.50 |
| *Le club sandwich* | $5.50 |
| *Turkey salad Royale* | $4.95 |
| *P.P.'s Cajun chicken wings* | $3.75 |
| *Poulet Dijon (boneless chicken breast cooked in whipping cream with cheese, mustard, scallion)* | $7.50 |
| *Pot roast ("served every day after noon till it's gone")* | $7.50 |
| *Filet of sole meunière* | $6.25 |
| *Roast pork with red cabbage* | $7.50 |
| *Mahi mahi à la coconut* | $6.25 |
| *Manicotti Baldini* | $6.50 |
| *Scampi primavera* | $9.95 |
| *Soup and salad l'amour (crock of onion soup, half a chef's salad)* | $5.25 |

NRN Photos

**Floral displays, French slogans, and chandeliers brighten the theme decor of Mimi's Cafe.**

**The exterior design of Mimi's Cafe resembles that of a French farmhouse.**

*Confident in its strengths as a regional operator, Mimi's Cafe seems unperturbed by looming competition from large companies that are upgrading their midscale concepts, such as the new Allie's chain devised by Marriott Corp.*

# FOCUS | REGIONAL CHAINS

# CHICKEN RULES ROOST AT BROWN'S

*The 135-unit chain's philosophy is to do one thing and do it well — concentration remains on product, discounting, community involvement, and training*

By Carolyn Walkup

LOMBARD, Ill. — At a time when many fast-food chains have blurred their identities by expanding their menus, Brown's Chicken is sticking to what it knows best.

"We just want to specialize in chicken and be sure we put out the best product that we can," says Frank Portillo, president of the 40-year-old, 135-unit regional chain.

Brown's does not serve breakfast, burgers, fish, pizza, or salads. "We tried broiled chicken for a while, but it didn't sell very well," Portillo explains.

Almost all of Brown's business occurs during dinner hours. To try to attract more lunch business, the chain soon will test two types of a fried chicken breast sandwich. Another variation on the primary product is cold chicken, which is sold at a reduced price when the product is available.

The cold chicken usually sells out daily, Portillo notes.

"We are a sandwich-oriented society," Portillo comments, explaining Brown's dearth of lunch customers. "We can't compete with 99-cent burgers and stay in business."

The discounting and couponing now commonplace in the fast-food industry was a Brown's marketing tool from the start. It wasn't until this decade that the fast feeder began to feel the competition from the burger chains that used the very device that long ago boosted Brown's success.

"When the burger chains started couponing, that's when I knew for sure we would be competing with everyone," Portillo says. "The only way we will grow will be at the expense of somebody else closing."

Market saturation was not a problem when Portillo, his wife, Joan, and founder John Brown and his family opened their first restaurants in the 1950s as Brown's Drive-In. Their initial problem was getting people to try their product.

"We were selling about 12 chickens a day," Portillo recalls. So he and his wife distributed several hundred hand-written index card-coupons for free meals at Brown's.

"We were mobbed," he explains. "Then we ran a 'buy one, get one free' coupon in the newspaper. It worked."

Today Brown's stores average about $600,000 in sales. "We are in very good shape," Portillo claims, reviewing a difficult retrenchment period that began in 1984.

NRN Photos

**Brown's president Frank Portillo chats with unit manager Debbie Serritos at counter.**

Although Brown's had more than 160 stores then, with the majority franchised, many franchised units that had absentee owner-investors were not doing well. "So we bet the corporate jewels and bought out all our absentee owners," Portillo notes. "We said we would put new managers in and operate them as company stores or sell them to owner-operators.

"Buying those stores hurt us a little because of all the cash invested. Now that is behind us."

About half of today's stores are franchised. The corporate officers treat the field supervisors responsible for company-owned stores like owner-operators, Portillo says.

Most of the restaurants the company closed were in fringe areas, including the West Coast, Florida, and Detroit. Today Brown's markets are Chicago, the Kansas City metropolitan area, and the eastern coastline of Florida.

"We have to have a minimum number of stores in a market to do advertising," Portillo notes. "We can't compete with the large companies in TV advertising, so we have to get involved in the communities and sincerely involved. Then we will get our share of the markets."

While considering modest expansion of five to 10 stores a year, Brown's is concentrating on strengthening existing units. "We will look for about a 5-percent sales increase this year," Portillo says, bemoaning the 10-to-15-percent growth common in earlier, less competitive days.

"We can't take our business for granted," he adds. "We have to watch it on a daily basis. The consumer won't put up with people who don't care."

Brown's is increasingly emphasizing more employee training aimed at keeping the employees and the customers happy and at reducing employee turnover. "I would rather have someone steal my car than steal my crew," Portillo is fond of saying.

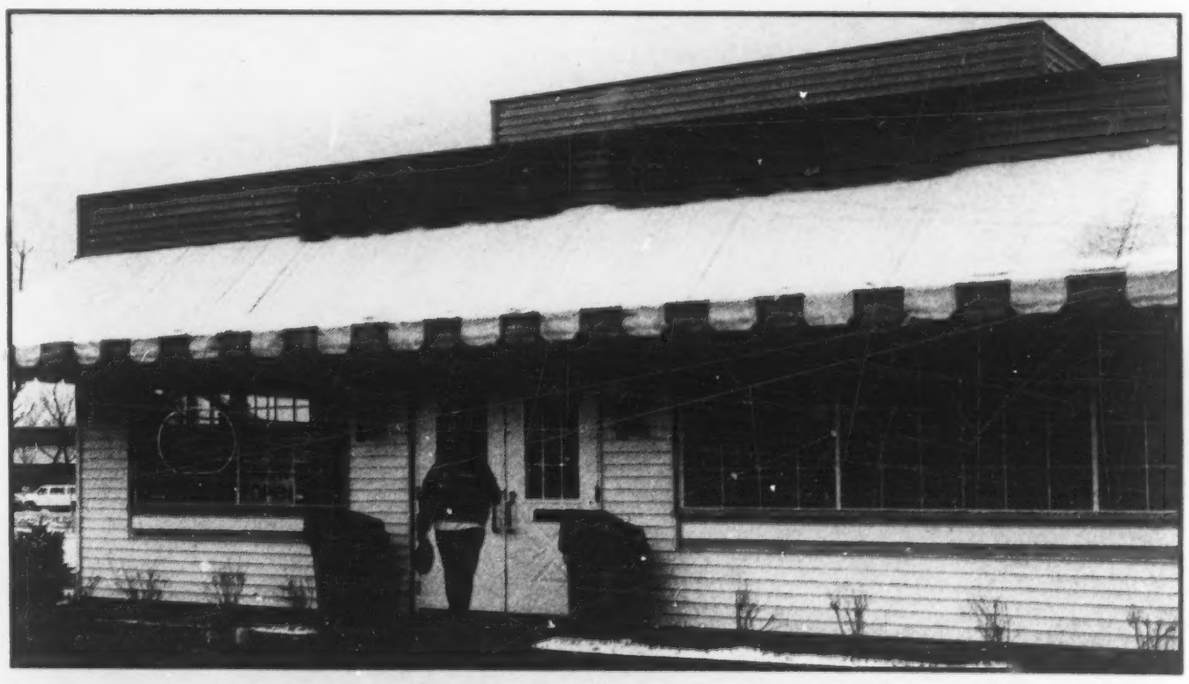
The company also is updating its older units to coordinate with the bright, light colors and atmosphere of its new ones. "Dark is out," Portillo observes. "You have to put money back into the business, or you will have big problems."

Portillo also notes that small companies such as his have an advantage over the large ones because they are closer to their employees and their customers and can more quickly meet their needs. "If the large companies don't catch on, we will always get our market share," he predicts.

**Brown's Chicken**
Lombard, Ill.
**Founded:** 1950
**Number of units:** 135
**Annual Sales:** $81 million
**Average per-store sales:** $600,000
**Per-person average check:** unknown
**Leadership:** Frank Portillo, president
**Ownership:** Brown & Portillo, Inc.

***Brown's Chicken***
**Menu Sampler**

| | |
|---|---|
| *Feast No. 4: 4 pieces chicken, french fries, coleslaw, and biscuit* | $4.99 |
| *Feast No. 16: 16 pieces chicken, french fries, coleslaw, and 6 biscuits* | $19.69 |
| *Chicken sandwich* | $2.59 |
| *Chicken salad* | $2.69 |
| *Wing dinner* | $2.59 |
| *Mrs. Brown's cookies* | 49 cents each |



**Exterior of a newer Brown's unit in Mount Prospect, Ill.**

# FOCUS | REGIONAL CHAINS

# CHEVYS

NRN Photos

**Husband and wife Scooter and Nancy Simmons in the bar of Chevys Mexican Restaurants' San Francisco unit.**

## *Fresh food, authentic atmosphere, and the drive to succeed all have made the Simmons' Mexican chain a 'hot ticket' out West*

**By Alan Liddle**

SAN FRANCISCO — "This is no 'smashed beans and rice' place,'" the menu at Chevys Mexican Restaurants proclaims, and with an array of fresh foods ranging from broiled quail to sizzling shrimp, the chain's boast does not seem idle.

Founded in Alameda, Calif., in 1986 by Warren "Scooter" Simmons Jr. and his wife, Nancy, Chevys now fields 10 units. The average annual sales per restaurant, for the four units open at least a year, is $2.7 million, company officials say.

Scooter Simmons is not apologetic when he reports that Chevys' food costs run about 37 percent of sales. Explaining why his food costs are more akin to those found at a steak house than at a traditional south-of-the-border concept, he says, "Our objective was to serve the finest-quality Mexican cuisine available. There is not a can in the place."

Everything served at Chevys restaurants, from the masa in the tamales to the guacamole that accompanies many of the menu items, is made from scratch.

Visitors to a Chevys kitchen see workers peeling avocados, dicing tomatoes and onions, trimming skirt steak, and boning chickens. The chain's fetish for freshness is even apparent in the dining room, where an automated tortilla maker, known affectionately to employees as "El Machino," continuously turns out product.

Decorwise, Chevys restaurants are more like cantinas, or roadside bars, than haciendas, the ranch-style homes that inspired the design of many Mexican chains, Simmons says. Poured concrete floors and sand-colored walls, sprinkled liberally with the likes of neon cactus and oversized reproductions of Mexican beer labels and billboards, define the interior, while stacked cases of beer serve as room dividers and bases for bar tables.

While exhibition kitchens are the rage in many segments of the industry, Chevys won't follow the trend.

Simmons says he moved some food preparation stations into the dining room at three of the restaurants but found that there was little in the way of customer response or sales gains to justify the increased construction cost, increased staffing requirements, and loss of dining seats.

"El Machino seems to be catching all the attention in the dining room anyway," Simmons says.

Opening costs for Chevys restaurants have so far ranged from $250,000 to $1 million, Simmons says.

The highest development tab, he says, resulted from the opening of the San Francisco unit: a 9,000-square foot, 320-seat, glass-walled monster across from the Moscone Center convention hall. The restaurant had sales of $2.9 million in its first 10 months of operation and is expected to do about $4 million annually once a large hotel, which is under construction nearby, opens.

Before touring Mexico and Texas and working with a food consultant to come up with the Chevys concept, the Simmons had successfully turned around two seafood restaurants. Scooter Simmons' interest in things Mexican was piqued at an early age by his father's involvement in the Tia Maria Mexican restaurant chain.

Warren Simmons Sr., a well-known San Francisco Bay Area developer, co-founded Tia Maria, which, through a series of transactions, was long ago assimilated into the Casa Maria chain. The senior Simmons plays a major role in Chevys by finding and securing

*(See **CHEVYS**, page F18)*

**Chevys Mexican Restaurants**
San Francisco
**Founded:** 1986
**Number of units:** 10
**Annual Sales:** $35 million (projected)
**Average per-store sales:** $2.7 million
**Per-person average check:** $8 lunch, $10 dinner
**Leadership:** Warren Simmons Jr., president; Fred Parkin, vp operations
**Ownership:** Warren & Nancy Simmons and other family members

**A plate of Chevys' specialties includes grilled prawns and quail; beef and chicken fajitas with flour tortillas, rice and beans; and pico de gallo (salsa), and guacamole.**

# FOCUS | REGIONAL CHAINS

## CHEVYS KEEPS IT FRESH

*(Continued from page F16)*

sites, Scooter Simmons says.

Scooter Simmons notes that the family, despite its restaurant experience, knew it needed outside help if it was to expand Chevys as quickly as it wanted.

Enter Fred Parkin, an old family acquaintance and a veteran of chain restaurants.

Parkin, Chevys vice president of operations since 1987, held key executive positions with two of the industry's best-known early innovators: Victoria Station, the pioneer prime rib railroad theme restaurant chain, and Upstart Crow, a chain that combined bookstores and cafes.

Though Victoria Station and Upstart Crow have had their problems in old age and now are both just shadows of their former selves, the Simmons family eagerly sought out Parkin's help because of his experience in developing operating systems.

Parkin favors a decentralized management system that excludes regional or area managers in favor of more managers -— six in all — at the restaurant level. His biggest challenge right now, he says, "is building a corporate culture" and ensuring that there is a good line of communications between headquarters and the field.

The decentralized approach not only keeps things simple, Parkin says, but also keeps managers interested and productive. Because each restaurant is basically a separate business unit, the management teams are involved in all aspects of the operation, from in-store marketing to purchasing, and, says Parkin, "Responsibility is the greatest motivator."

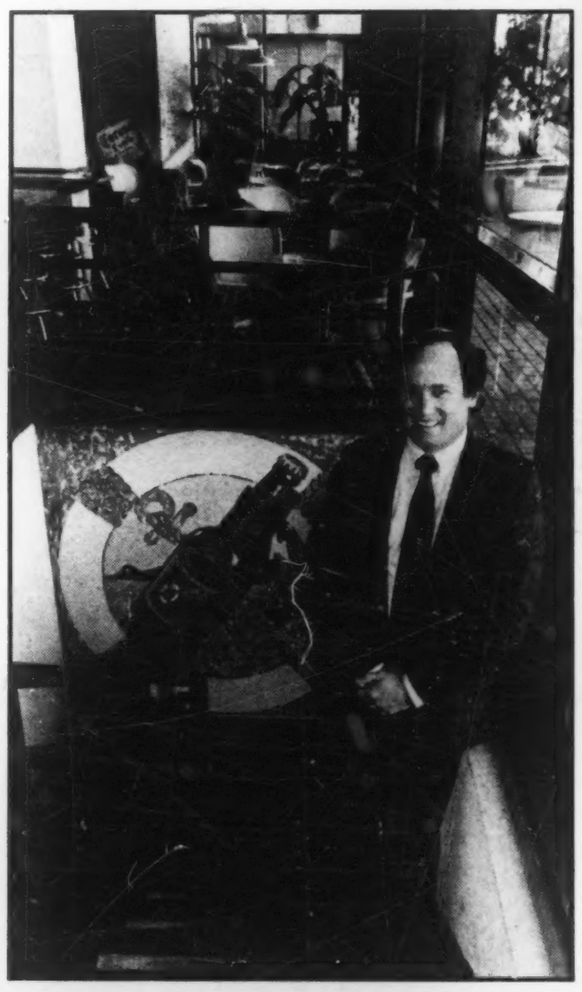
Scooter Simmons, who believes Chevys can grow to 30 units before suffering from cannibalization in its primary region, is happy with his lot as a regional player.

As such, he explains, Chevys is small enough to stay close to its customers and staff and can more quickly fill in markets to take advantage of name recognition and media buys, but it is large enough to use its total purchasing power to win lower prices from suppliers.

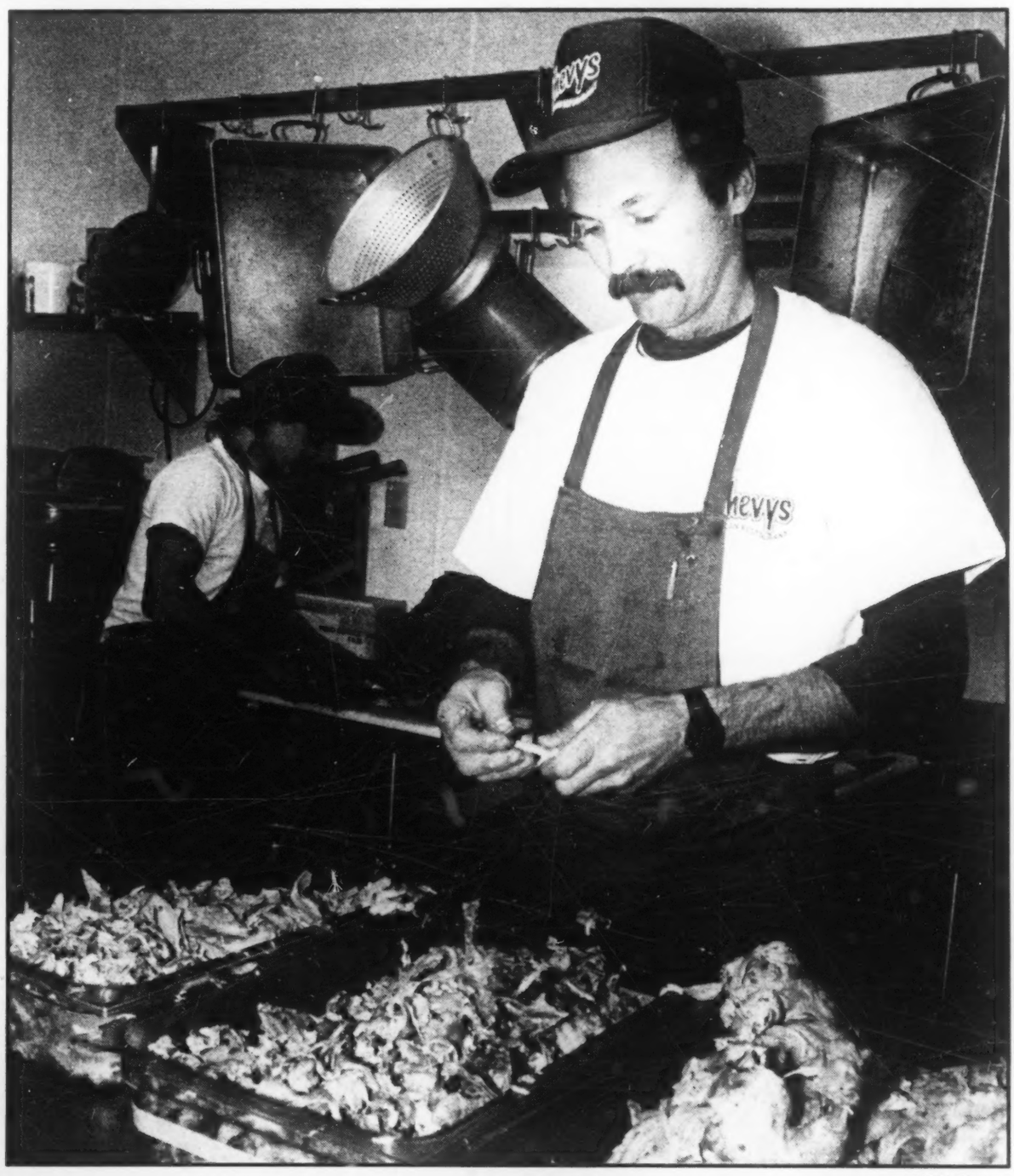
According to Simmons, Chevys Mexican Restaurants is a marketing-driven company, and it divides its marketing budget as follows: radio, 40 percent; cab-top signs, 40 percent; billboards, 20 percent.

The chain's marketing budget, which now represents about 1 percent of sales, is expected to double in the coming months, company officials indicate.

*Scooter Simmons believes Chevys can grow to 30 units before suffering from cannibalization in its primary region.*



**Scooter Simmons Jr. stands before neon beer sign that adds authenticity.**

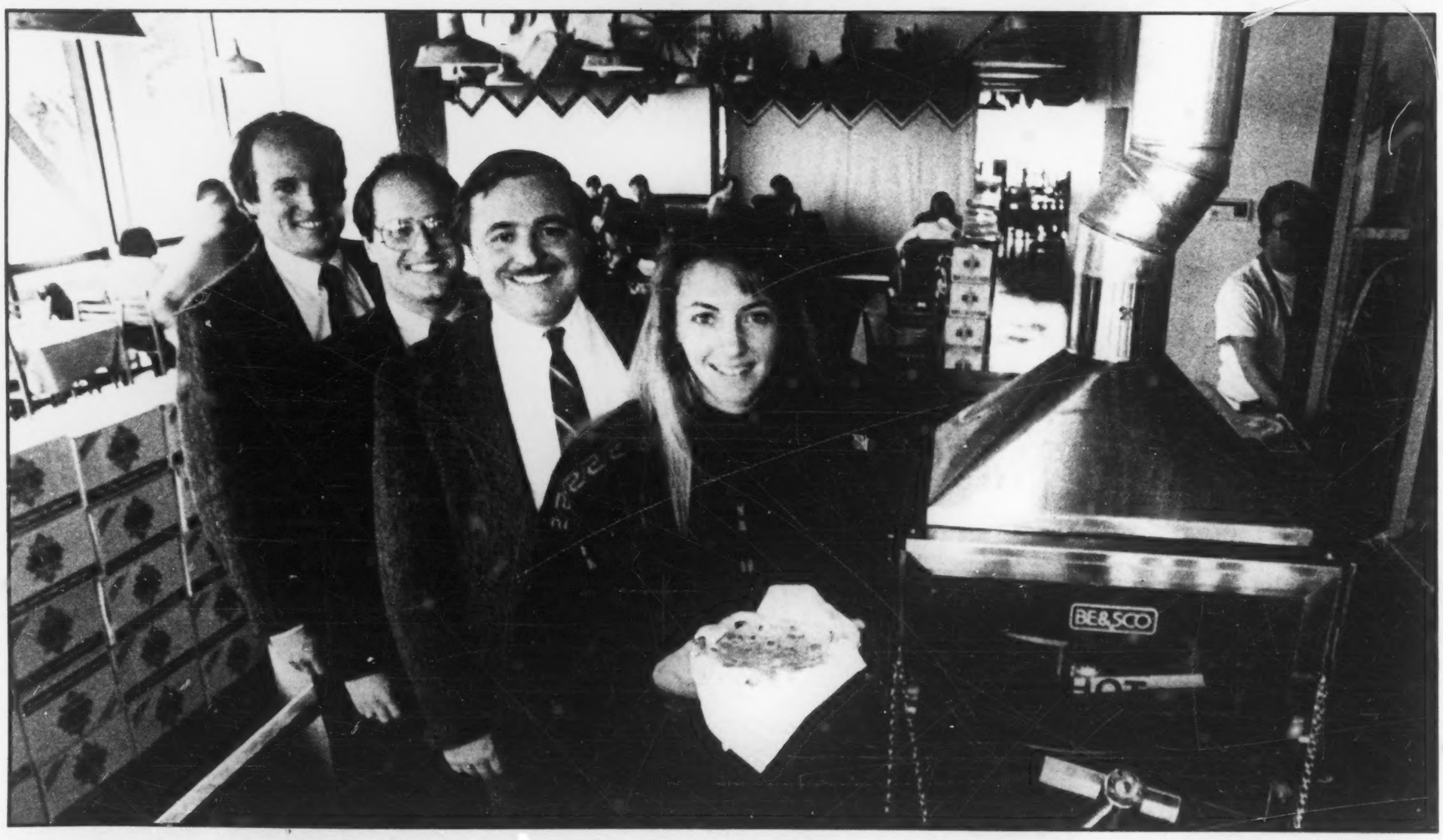


NRN Photos

**Chevys Mexican Restaurants staffers work to bone the chicken and fillet the beef for the fajitas in the San Francisco operation.**

### *Chevy's*
**Menu Sampler**

| | |
|---|---|
| *Nachos with cheese and jalapeño peppers* | $3.25/$4.95 |
| *Spicy pork tamales in husks with chili sauce* | (3) $4.25/(6) $6.75 |
| *Ceviche salad* | $6.75 |
| *Broiled quail* | (2) $9.95/(3) $12.95 |
| *Beef or chicken fajitas and sizzling jumbo shrimp* | $12.95 |
| *Chicken enchilada, cheese-chili relleno, and tamale* | $8.25 |
| *Empañadas (fried flour tortillas filled with apples and raisins)* | $2.50 |




**Chevys Mexican Restaurants' officers alongside some of the chain's signature paraphernalia, including 'El Machino,' an automated tortilla maker, and a beer-case divider. From front to back: Nancy Simmons, co-founder; Fred Parkin, executive vice president; Larry Nally, chief financial officer; and Scooter Simmons, president and co-founder.**

# FOCUS | REGIONAL CHAINS

NRN Photos

**Left: Bambolino's starts a tradition by selling pizza-by-the-slice at walk-up windows. Right: A Bambolino's unit, complete with walk-up window and drive-thru.**

# BAMBOLINO'S TAKES TEXAS BY SLICE

## *In Houston — the 'City of the Car' — this start-up venture has been pulling in customers with its innovational, non-traditional pizza-by-the-slice drive-thru*

**By Tracey Taylor Woodard**

HOUSTON — Bambolino's, a fledgling pizza-by-the-slice drive-thru chain, is the growing child of a failed marriage between Ninfa's Inc. and McFaddin Ventures.

In the fall of 1985, Ninfa Laurenzo, riding the crest of record sales in her Ninfa's Mexican dinner houses, sold the restaurants' licensing rights to Lance McFaddin and McFaddin Ventures.

McFaddin then created Ninfa's USA, a division designed to open restaurants across the country, and staffed it with Laurenzo's son Roland; Drue Pollan Jr., former Ninfa's vice president of operations; and the entire senior staff of the Mexican chain.

But when Ninfa's Inc. and McFaddin parted ways in the summer of 1986, Ninfa's was managing without the resources it had lent to McFaddin and had no room to take the senior staff back.

So rather than lose a group of loyal and hardworking executives, the group put their heads together, and Bambolino's, a pizza-by-the-slice drive-thru, was born.

"We were right in the middle of a recession in Houston," Bambolino's president Pollan said. "We needed to design something to hedge our bets against high real-estate costs, high equipment costs, high rent, and high construction costs."

Pollan's solution was a 425-square-foot portable building with a start-up cost less than $120,000.

The group raised $400,000 through a private placement offering and opened the first store in April 1987. Ninfa's Inc. is the majority stockholder with 20 percent, and both Ninfa and Roland Laurenzo, now the president of Ninfa's Inc., serve on the board of directors.

Pollan said raising money for the start-up chain was difficult because there was nothing with which to compare it.

"People thought you couldn't do a pizza-by-the-slice drive-thru," the second-generation Houstonian said. "They thought you either couldn't do it well, or you couldn't do it fast," Pollan added.

Based in the house where Ninfa Laurenzo raised her family, next to the original Ninfa's restaurant, Bambolino's now operates eight company restaurants and has franchised five others. The company began selling franchises in January 1988 and has sold 16 so far.

The stores offer a limited menu of pizza, lasagna, spaghetti, and salads. A "Double-Big" slice of pizza, which, according to a statement on the box, is equal to two slices of an 18-inch variety, sells for $1.55 to $1.85. The average transaction, Pollan said, is $3.25. Pizza accounts for more than 80 percent of sales.

The kiosks, which are designed in natural woods and resemble turn-of-the-century Italian fruit stands, have four to nine picnic tables in front.

But 85 percent of the business is drive-thru, Pollan said.

"We consider [drive-thru pizza-by-the-slice] an innovation for the City of the Car," he said, referring not only to Houstonians' well-known love affair with their automobiles but also to the fact that pizza is not traditionally sold by the slice in Texas.

Pollan said they are locating the units "near things people go in and out of regularly," such as drugstores, dry cleaners, other fast-food units, grocery stores, and post offices.

Pollan particularly likes to be near high schools, where hungry students boost his slow 3 p.m.-to-5 p.m. segment.

"We're currently doing about 300 to 400 transactions a day," he explains, pointing out that his worst store has annual sales of $240,000, while his best is topping the $400,000 mark. Pollan notes that the stores have a $200,000 break-even point.

"The biggest problem we face is lack of customer awareness," he says. To change that situation, Bambolino's plans to start television advertising in later this month and early April.

As for competition, Pollan says it is everybody and nobody.

"Everybody who has a $2 ticket is potential competition," he says. "But I don't see the major pizza chains coming after us because they're all chasing Domino's."

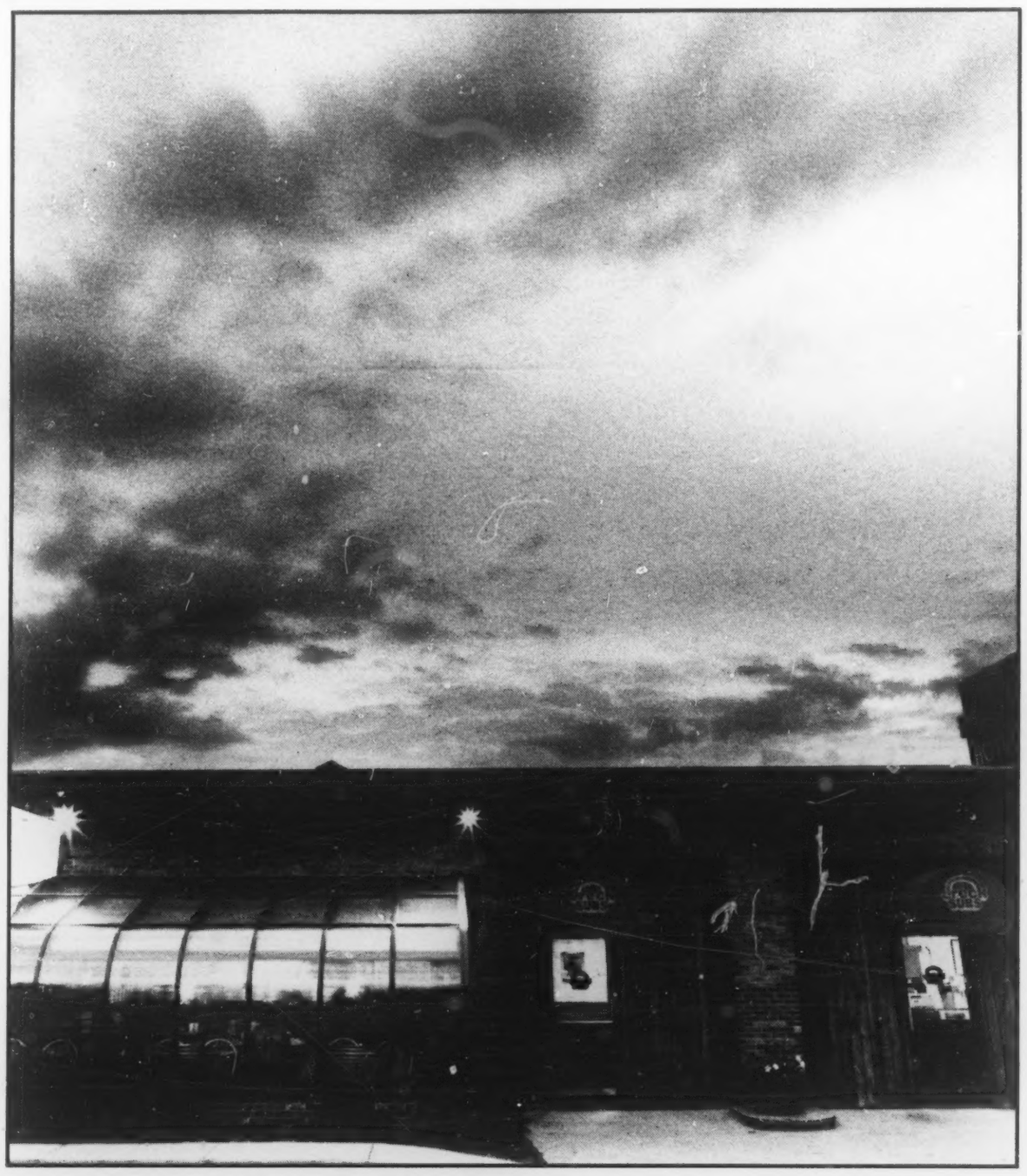
**Bambolino's — The Original Italian Drive-thru**
Houston
**Founded:** 1987
**Number of units:** 13
**Annual sales:** $4 million
**Average per-store sales:** $285,000-$300,000
**Per-person average check:** $3.25
**Leadership:** Drue Pollan Jr., president
**Ownership:** Ninfa's Inc. (20 percent)

***Bambolino's***
**Menu Sampler**

| | |
|---|---|
| *Double-Big Cheese* | $1.55 |
| *Pepperoni* | $1.85 |
| *Sausage* | $1.85 |
| *Hamburger* | $1.85 |
| *add sautéed mushrooms* | 30 cents |
| *add jalapeños or black olives* | 20 cents |
| *Dinner Salad* | $1.15 |
| *Garlic Bread* | 55 cents |
| *Spaghetti with Meat Sauce* | $2.25 |
| *Lasagna* | $2.95 |
| *Italian Chef Salad* | $1.95 |
| *Double big slice of pizza and dinner salad* | $2.65 |
| *Italian icy lemonade* | 75 cents, 85 cents, 95 cents |

# FOCUS | REGIONAL CHAINS

*'We've been in small rural New York towns for 20 years,' said Jreck's spokesman, Peter Whitmore. 'Along with the Ma and Pa sandwich shops, we're the only game in town.'*



A Jreck's unit, which is located in upstate New York.

**Jreck Subs**
Watertown, N.Y.
**Founded:** 1969
**Number of units:** 46
**Annual Sales:** $16.6 million
**Average per-store sales:** $360,000
**Per-person check average:** $4
**Leadership:** H. Thomas Swartz, ceo and president
**Ownership:** privately-held

# NO PLACE LIKE HOME FOR JRECK

## *While a number of regional sandwich chains are gauging to battle national star Subway, Jreck Subs is content to capitalize on its success in upstate New York*

By Ken Frydman

WATERTOWN, N.Y. — As 2,400-unit Subway tightens its hold as a truly national sandwich chain, regional sandwich maker Jreck Subs prefers to remain a big fish in a small pond.

The 46-unit submarine sandwich chain has blanketed upstate New York — as far west as Rochester, east as Utica, north as Plattsburgh, and south as Oneonta. But that's as far as it will go.

"We've been in small rural New York towns for 20 years," says Jreck's spokesman, Peter Whitmore. "Along with the ma-and-pa sandwich shops, we're the only game in town."

Real-estate prices are the primary reason for Jreck's reluctance to move beyond the Empire State. Including a $30,000 equipment package, a prototypical 1,800-square- foot, 40-seat, freestanding Jreck's store in rural Adams, N.Y., costs only $50,000 to start up, and one or two employees can operate it.

By comparison, a prototype Subway mall or in-line store — which has 24 seats and 1,100 square feet — requires $65,000 in start-up costs, according to Fred DeLuca, who is Subway's president. Subway stores currently operate in all 50 states, Canada, Australia, the Persian Gulf, and the Bahamas.

Selling a mix of 14-inch, made-to-order cold deli meat submarine sandwiches and hot items like steak and chicken subs, spare ribs, and soups, a Jreck store averages $4-per-person lunch and dinner checks.

Annual gross sales per store run "from the low-side of $200,000 to the high end of $600,000," or a $360,000 average per store, Whitmore notes.

Those revenues, while good for a small market like upstate New York, preclude Jreck's from expanding its fast-food sub shop operation through acquisition in major markets, Whitmore adds.

"We don't like to think of our position as being stuck in upstate New York but rather completely capitalizing on a region," he explains.

However, other established regional chains are looking to close the nationwide gap with Subway in the $4.5 billion sandwich segment. Blimpie's, with 375 units, is trying combination sandwich-and-drink meal deals as it expands, while 236-unit Schlotzsky's is opening more company stores and revamping its "hole-in-the-wall" image, according to Schlotzsky's president, John Wooley.

But the one thing all sandwich chains have in common is sandwiches. Jreck's bread and butter is the $1.99 to $4.29 subs, made with a variety of meats, cheeses, lettuce, tomato, and onion. The chain uses its signature sandwiches as a merchandising tool as well, constructing the custom-made product in front of the customers.

"That way they see what they're getting, and we can show off our sandwiches as fresh," Whitmore says.

Jreck first showed off its sandwiches in 1969 from the back of a school bus that sat on the Camp Drum military base in upstate New York. At that time the single-site concept was run by five partners — Jerry Haley, Robert Martin, Ellis Martin, Charles Lehman, and Keith Waltz — whose first names' first letters gave Jreck its name. In 1984 four of the five sold out, leaving Haley as the only Jreck originator still with the company in a day-to-day capacity.

When the Martins, Lehman, and Waltz left five years ago, the new Jreck management team — led by new chief executive officer H. Thomas Swartz and general manager Mark Rice — began expanding the product line and improving the units' decor, according to Whitmore.

"They've added the hot products to give our sandwich menu line more diversity and brightened up the shops with cedar siding and bright green awnings," Whitmore notes.

In 1974 Jreck started franchising; today all 46 units are franchised, including 30 by Western Fast Foods Inc. "We plan to add 15 new franchised stores this year and 25 next year," Whitmore says.

### *Jreck Subs*
**Menu Sampler**

| | |
|---|---|
| **Whole subs** | |
| *Seafood salad* | $3.25 |
| *Ham and Cheese* | $2.89 |
| *Roast Beef* | $2.99 |
| *Chicken Salad* | $3.09 |
| *Tuna* | $2.79 |
| *Cooked Salami* | $2.59 |
| **Hot subs** | |
| *Supersteak* | $4.50 |
| *Meatballs* | $2.89 |
| **Side orders** | |
| *Small Julienne Salad* | $2.25 |
| *Large Julienne Salad* | $3.50 |
| *French Fries* | 75 cents |
| *Soups* | 99 cents |
| *Clam Strips* | $1.40 |

FOCUS | REGIONAL CHAINS

# JILLY'S CHEWS ON NEW STEAK IDEAS

*With competition heating up behind this Atlanta barbecued rib operation, the chain fights back by arming its menu with traditional steak-house favorites*

**By Jack Hayes**

ROSWELL, Ga. — In the four years since this sleepy north Atlanta suburb boomed into a 50-restaurant city, competition has been gnawing ambitiously at what continues to be Jilly's leading menu item — barbecued baby back ribs.

But Jilly's, The Place for Ribs — one of two franchised links in a casual chain concept that totals four Atlanta units — is fighting back by adding casual steak-house menu favorites like prime rib and rib eye.

"Everybody's getting into the rib business," says Harry McMahan, general manager of the two franchised Jilly's operations, including a unit in suburban Stone Mountain, which is east of downtown Atlanta.

"You've got Houston's [one of Atlanta's hottest casual operations], Applebee's, and Bennigan's all doing it," laments McMahan, who watched two local rib competitors — Damon's and Tony Roma's — buckle under from the recent onslaught.

An eight-year veteran with Jilly's, which averages an estimated $1 million a unit, McMahan nevertheless claims the signature barbecued ribs, chickens, and onions by-the-loaf account for 80 percent of his restaurant's sales — despite a 30-item assortment of salads, specialties, sandwiches, and burgers.

The Jilly's Burger — a half-pound charbroiled ground sirloin sandwich with lettuce, tomato, onion, pickle, fries, and cole slaw at $4.25 — is the restaurant's big seven-day lunch item, where the average noon ticket is $5.50.

Thus, the competition continues to lick its lips.

Long Horn Steaks, an eight-unit Texas-style chain that opened its Roswell operation about a year ago, is selling a plate full of imported Canadian baby back ribs at $11.95.

Cherokee Cattle Co., a two-unit Texas steak concept with restaurants in Marietta and Roswell, is promoting mesquite-grilled pork ribs at $10.95 with saddle beans and other side trimmings.

Meanwhile, a franchise unit of the Florida-based Sonny's Real Pit Bar-B-Q chain — the fifth Atlanta Sonny's restaurant to date — opened in Roswell recently within weeks of a local concept start-up called Country's Barbecue.

"You have to constantly work on the quality and service," says McMahan, who fears a hike in minimum wage will force him to cancel out one or two wait staff positions and require more productivity from those who remain.

The Jilly's concept, with beverage at 15 percent of sales, is considered family-oriented as opposed to family-style.

The open-seated dining room has the flexibility for handling walk-in parties of eight and larger, which are common, McMahan says.

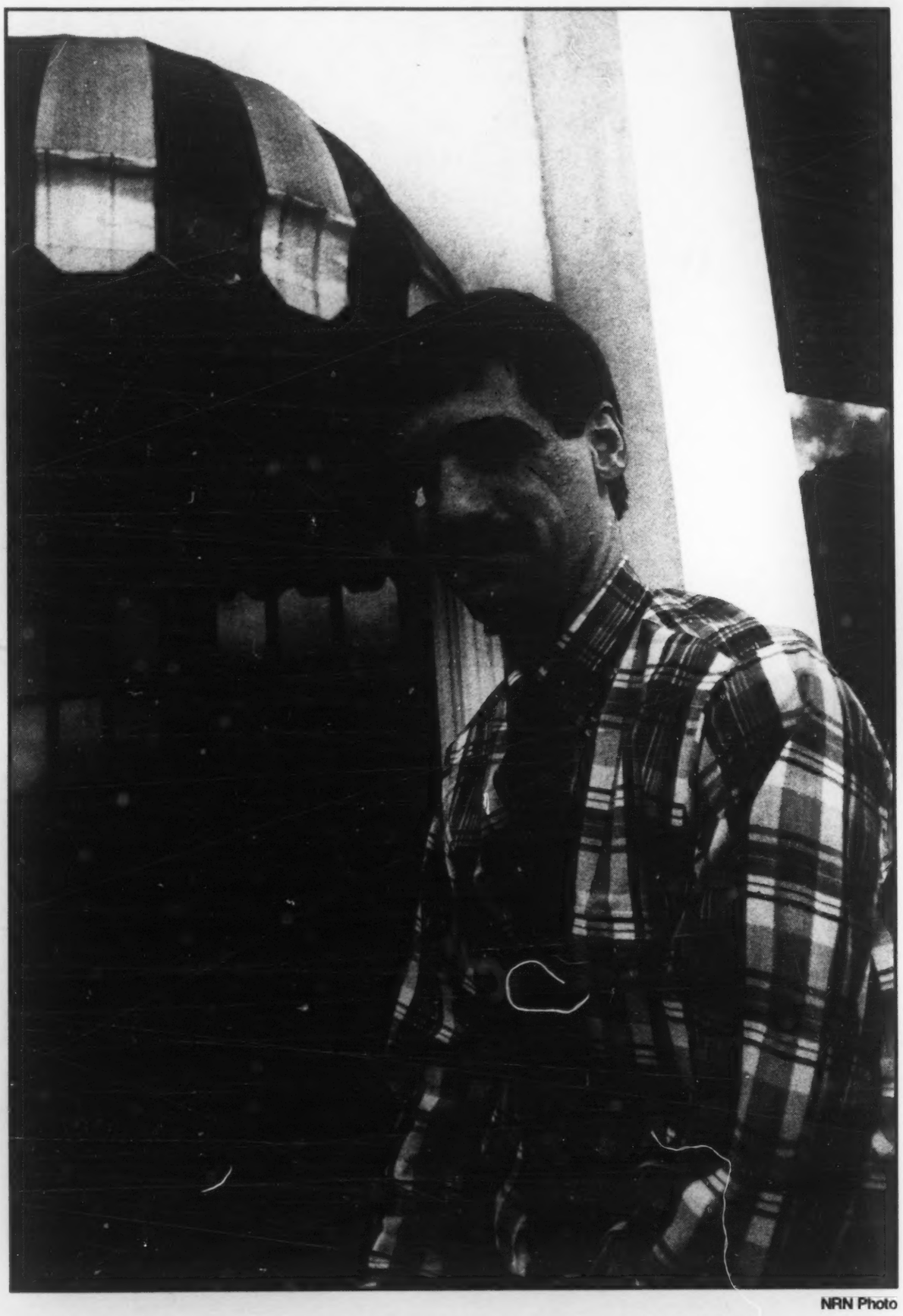
"We like the large groups," the manager whose dinner check average is $13 explains, beaming.

A popular children's menu features items like Chicken Little, a barbecued small piece with fries and cole slaw, for $2.75 and Four Little Pigs, a junior-sized baby back rib plate with fries and slaw, for $3.95.

Location works to Jilly's advantage here in its competitive lease at an upscale strip location. Roswell, the smallest unit, operates with 4,300 square feet.

Outspoken on restaurant issues, McMahan is a vehement critic of service charges in casual dining.

"The American customer isn't ready for it," he says. "In tablecloth operations the service charge may be possible but not in casual restaurants."



NRN Photo

**Harry McMahan, general manager of the two franchised Jilly's operations — one in Roswell, Ga., and another in suburban Stone Mountain.**

**Jilly's, The Place for Ribs**
Roswell, Ga.
**Founded:** 1979
**Number of units:** 4
**Annual sales:** $4 million
**Average per-store sales:** $1 million
**Per-person average check:** $5.50 lunch, $13 dinner

*'Everybody's getting into the rib business. You've got Houston's, Applebee's, and Bennigan's all doing it,' laments McMahan, who watched two local rib competitors — Damon's and Tony Roma's — buckle under from the recent onslaught.*

**Jilly's**
**Menu Sampler**

| | |
|---|---|
| Jilly's Chili, with Texas-style onions, cheese, and peppers | $2.25 |
| Barbecued Baby Back Ribs. 'They made us famous.' Dinner portion | $9.95 |
| Rib 'n Ring Sampler. Light portion of ribs and onion rings | $5.95 |
| Onion Rings By-The-Loaf. Fried crisp and golden brown. | $4.25 |
| Chattahoochee Chicken. Charbroiled with sauce and toppings | $5.75 |
| Blue Bacon Burger. With blue cheese ladled over bacon | $4.55 |
| Carrot Cake | $1.75 |

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NEWSPAPER

Nation's
# Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

Vol. 23, No. 12 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | March 20, 1989

# Seafood shortages scramble menus

## *Chefs look for new fish species to fight price, supply problems*

**By Jack Hayes**

CHARLESTON, S.C. — Hampered by shortages and escalating prices of many popular varieties of fish, the nation's chefs are scrambling to rewrite lunch and dinner menus with a new generation of substitute seafood products.

Fish that were unknown or scorned as trash only a few years ago are suddenly surfacing to replace favorite seafood staples that have either risen too high in price or become unavailable for reasons of overharvest, pollution, or rising foreign consumption.

"We're simply running out of product," said Victor Gielisse, one of six judges at the third American Seafood Challenge here, in which culinary entrants from 36 states competed for the title Champion Seafood Chef for 1989.

"With supply, cost, and quality problems, we're using more farm-raised species, like California black sea bass, black drum, tilapia, and catfish," added Gielisse, who is the co-owner of Actuelle in Dallas and was champion chef of the 1987 Seafood Challenge.

"The why of seafood substitution is easy: We need more and more fish," added Wolfgang Bierer, chief consultant with L.J. Minor Corp.

The uncertainty of freshfish availability and price and the rise in seafood substitutes are the main reasons for the wide popularity of daily menu specials today, Bierer suggested.

In seeking replacements for

*(See SHORTAGES, page 78)*

**Selling more seafood starts with educating serving staff**

Report from the Boston Seafood Show, page 3

Jean Josselin, the executive chef at Coco Palms Resort in Lihue Kauai, Hawaii, celebrates his trophy and his victory at the 1989 American Seafood Challenge.

## *Baked stone bass carries Josselin to Challenge win*

**By Jack Hayes**

**CHARLESTON, S.C. — A baked stone bass with fresh herb crust and black-pepper sauce ostewam a tidal wave of scallops, shark, and Finnan Haddie to emerge as the 1989 American Seafood Challenge victor.**

**"Aloha!" yodeled Jean Josselin, the Frenchman turned Hawaiian who was crowned Seafood Chef of the Year as he and 35 other culinary masters from around the country toweled off after three grueling days of competition.**

**An executive chef at Coco Palms Resort in Lihue Kauai, Josselin equally thrilled the judges with his hot smoked ling cod and fried sesame spinach; stir-fried rock shrimp with shiitake, red endive, and mini**

*(See JOSSELIN, page 78)*

## FOOD WATCH

### *Anything goes . . . even alligator appetizers*

**DALLAS — In these days of low fat, low calories, and low cholesterol, anything goes, including alligator.**

**The fat content of alligator meat ranges from 1 percent to 1.5 percent, vs. 25 percent for rump roast and 6 percent for chicken, according to chef Jim Severson of Dakota's restaurant, who includes an appetizer of alligator bits with piquant sauce on his menu. The protein content of alligator meat is approximately 22.2 percent, vs. 17 percent for choice-grade rump roast and 32 percent for light meat chicken without skin.**

**Severson's alligator dish is made with 1 pound of alligator tail, two eggs, 2 ounces of milk, two cups of bread crumbs, one-half cup of flour, one teaspoon of salt, and one-quarter teaspoon of white pepper.**

**"Alligator works well as an appetizer because it allows customers a taste to see if they like it," Severson said. "So far the response has been very positive."**

**— Ken Frydman**

# Burger King may profit from S&A sale

**By Peter Romeo**

MINNEAPOLIS — In moves that signal imminent changes for Burger King, Grand Metropolitan is selling S & A Restaurant Corp. to a management-led group and is issuing pink slips to 23 percent of Pillsbury's headquarters staff here.

Grand Met has confirmed that the $431 million it will net from the S & A deal will be plowed into a recovery program currently being plotted for the ailing Burger King chain.

"We will invest the proceeds in the growth of Pillsbury Foods and Burger King to enhance our shareholders' investment in Grand Met's most recently acquired U.S. operation," said Ian Martin, who heads the London-based conglomerate's North American operations. He is also serving as chairman of Burger King.

Grand Met acquired Pillsbury, the former parent of Burger King and S & A, for $5.68 billion in January.

Joining S & A's management in the

*(See GRAND MET, page 4)*

# NRN readers lambaste INS on crackdown

**By Richard Martin**

An overwhelming majority of readers who called the Nation's Restaurant News Hot Line blasted federal enforcement of the immigrant-worker law.

The irate callers were responding to Nation's Restaurant News reports about a massive wave of fines the Immigration and Naturalization Service has levied against restaurants. They said that compliance with the law's stringent record-keeping and hiring provisions is hampered by vague or unrealistic rules.

Assuming the pseudonym "Mad as Hell," a Texas restaurant company president caller said: "The INS is simply a group of overzealous, otherwise-

*(See READERS, page 78)*

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# NEWS DIGEST

## LA commission eyes plan to require more parking

LOS ANGELES — The city planning commission has drafted a proposal that would require new restaurants to provide five times as many parking spaces as are currently mandated for eating places.

Office buildings and designated redevelopment areas in Hollywood and downtown would be exempted from the requirement to increase parking from two spaces per 1,000 square feet to 10 spaces for the same area.

The commission is scheduled to review a draft ordinance April 13. If passed, it would need City Council approval and the mayor's signature before becoming law.

## Management-led group buys Bresler treat chain

DES PLAINES, Ill. — A management-led investment group has purchased Bresler's, operator of the 300-unit Bresler's Ice Cream & Yogurt Shops chain, from Oberweis Dairy. The price was not disclosed.

Included in the group are David Lasky, Bresler's president, and Alan Marti, senior vice president and director of operations. The buyers disclosed plans to hasten Bresler's expansion.

Oberweis bought Bresler's in 1987 from Stanley Bresler. Previously named Bresler's 33 Flavors Ice Cream Shops, the chain had remained in the Bresler family since its founding in 1929.

## Court restrains Pizza Hut from using certain slogans

EL PASO, Texas — A U.S. District Court here has temporarily restrained Pizza Hut from using slogans that competitor Little Caesars claims are infringements on its protected "Two Great Pizzas! One Low Price" marketing theme.

The Pizza Hut slogans that Farmington Hills, Mich.-based Little Caesars is taking issue with read "Two Great Pizzas! One Great Price" and "Two Great Pizzas! One Fantastic Price," said a Little Caesars spokesman.

Pizza Hut, which would not immediately comment, has asked that the case be removed to federal court, a move Little Caesars is trying to counter.

## Group tenders bid for Arby's parent

MIAMI — A New York investment group has tendered a $572 million bid for DWG Corp., the parent here of the Arby's fast-food chain.

However, the suitors did not detail their plans for financing the $22-per-share offer, leading Wall Street to view it with some skepticism. DWG shares were trading around $7.75 before the bid was placed.

The investment group is led by Andrew Heine, chairman of Kinney System, an operator of New York parking garages. He was also a partner in Finley, Kumble, Wagner, Heine, Underberg, a well-known New York law firm that disbanded last year.

## Coniston nominates 3 for TW Service's board

NEW YORK — Coniston Partners is escalating its battle for control of TW Services, the parent of Denny's and Canteen Corp., by seeking to nominate three officers of a Coniston subsidiary for election to TW's board of directors.

Before revealing the new tactic, Coniston disclosed that TW shareholders had offered to sell more than 34.6 million of TW common shares for $29 each. Those issues, coupled with the shares already held by Coniston, would give the raider more than 90 percent of total TW shares outstanding.

TW is resisting the takeover, citing concerns that Coniston is buying the food-service company to strip it of assets. In addition to Denny's and Canteen, TW owns the Quincy's steak-house chain and operates some 300 franchised Hardee's units.

## *Collins' ceo hints at consolidation with Sizzler*

**By Rajan Chaudhry**

NEW YORK — Collins Foods International Inc., one of food service's leading performers, is seeking to consolidate some operations and sell off others — possibly even its 207 domestic Kentucky Fried Chicken units — to focus on its stronger businesses.

Richard Bermingham, chief executive and president of Collins, told a stock conference here that he wants to combine the company with its 64-percent-owned subsidiary, Sizzler Restaurants International.

Bermingham also said that it "could make sense" for Collins, Kentucky Fried Chicken's largest franchisee, to sell its KFC units back to the franchisor.

In addition, he said, Collins expects to complete within three months the sale of two holdings: Ed Debevic's Short Orders Deluxe, a concept that helped kick off the current diner craze, and Original Gino's East of Chicago, a pizzeria restaurant. Together, the operations should fetch about $25 million, Bermingham said.

The divestitures and combinations would enable Collins to focus more intently on its two strongest operations, Sizzler and overseas KFC restaurants.

Collins' domestic KFC division has experienced flat profits and slow sales growth over the past several years.

"Selling is one alternative, and it's not a bad one," Bermingham said. "KFC would love to have a stronger position and market presence on the West Coast."

However, he added, "they don't seem to want to pay me what I think it's worth." He expressed surprise that KFC didn't approach Collins a year ago when stock prices were low.

Nine years ago, in an effort to diversify, Collins spun off 36 percent of Sizzler to the public to raise capital for the restaurant-only Sizzler company. Since then, Collins has changed its strategy, having decided to devote its resources only to its Sizzler and KFC operations.

"Now there's really no need to have two public companies," Bermingham said.

He explained that the consolidation would save about $250,000 a year, but he noted that a simple buy-back of the stock would mean booking $100 million in goodwill.

## CKE exec pleads innocent to insider trading charges

LOS ANGELES — Alvin A. DeShano, general accounting director of Carl Karcher Enterprises, has pleaded not guilty to criminal charges of insider trading and securities fraud. He was ordered to stand trial here on April 25.

"In the meantime Al remains an active employee," said Loren Pannier, chief financial officer of the California company, parent of the Carl's Jr. hamburger chain. "This matter should have no effect on the company's business."

The case against DeShano stems from the Securities and Exchange Commission's civil suit charging 16 Karcher relatives and employees, including chairman Carl N. Karcher, with activities related to the sale of company stock before the public disclosure of unfavorable earnings data.

## Buckley brothers sell Nathan's Famous stake

NEW YORK — Richard and Steven Buckley have agreed to sell their equity interest in Nathan's Famous Inc. and apparently to step down as president and executive vice president, respectively.

The brothers said they have accepted an unspecified bid from another member of Equicor, the Buckley-led investment group that acquired Nathan's in 1987 for $21 million.

# FOCUS | OPINION

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# Educational funk: Management schools

It is long past time for universities and colleges to modernize their hospitality management programs. This means making the "restaurant" at least equal to the "hotel."

Yet the major educational establishments have steadfastly declined to recognize the emergence of restaurants as a prime, if not a No. 1, element in the hospitality equation. Leading hospitality schools have too often encouraged students to focus on hotel rather than on restaurant careers.

Editor's Corner
Charles Bernstein

Two notable exceptions where "restaurant" officially comes first are Purdue University's Restaurant Hotel and Institutional Management School and Texas Tech University's Restaurant Hotel and Institutional Management program. Everyone else seems to go in the direction of HRIM rather than RHIM.

The vast majority represent an archaic remnant of the days when hotels and their restaurants dominated a fledgling food-service industry — a trend that was reversed three decades ago. At best, the response of management schools to the changing market has been appallingly slow.

Cornell University — which is still considered the leading hospitality management school — has set the tone for the entire trend. Despite a renown and distinction as one of the only schools of its kind not subservient to a business college or home economics college, it is still called the School of Hotel Administration.

The word "restaurant" is not even in the name, although many unofficially say School of Hotel & Restaurant Administration and restaurants are recognized more in the curriculum than formerly. Nevertheless, "hotel" still comes before "restaurant" under any terminology.

Hundreds of Cornell Hotel School graduates actually are food-service executives, making it doubly surprising that the school has resisted adding the word "restaurant" to its name. Cornell has launched a widespread search for a new dean of this prestigious school, and we hope that the choice will be someone with a realistic view of the emergence of the restaurant industry as a potent force.

Other venerable institutions now have the word "restaurant" in their names but insist on keeping "hotel" first. Among the most notable are Michigan State University and Penn State University, each of which calls its school Hotel Restaurant and Institutional Management. MSU's is under the Business College; PSU's, under the College of Human Development.

It is not a coincidence that in each case students opt by a three-to-one margin for other hospitality careers rather than one in restaurants. Perhaps the trend is also related to the massive recruiting efforts of the hotel industry.

MSU's school has emerged solidly from a four-year hiatus during which it had no permanent director. Penn State's, under the five-year administration of Andy Divine, has become a school rather than a program.

We do not see "restaurants" positioned first in the names or curriculums of a number of other key colleges: Denver University's Hotel and Restaurant Management School; Washington State University's Hotel Restaurant Administration program (still so named even though restaurants have emerged as dominant factors in its curriculum); the University of Massachusetts' Hotel Restaurant and Travel School; and Widener University's School of Hotel and Restaurant Management, Chester, Pa.

Trying to balance all elements under one roof are Florida University's School of Hospitality and Management and California Polytechnic Institute's Pomona Center for Hospitality Management. But the University of Nevada at Las Vegas calls a spade a spade with its Harrah's Hotel College.

A major force in hospitality education is Johnson & Wales University, Providence, R.I., and Charleston, S.C. The former emphasizes culinary arts, hotel-restaurant management, and business-marketing courses.

Culinary schools are also pushing into management curricula. One prime example is the New England Culinary Institute of Montpelier, Vt., which is launching a service and management program "to extend the professionalism of America's kitchens to the dining rooms."

Perhaps the reason "hotel" invariably comes before "restaurant" is that the schools often operate their own hotels and train students there. Cornell's extensively remodeled Statler Inn recently reopened, and Johnson & Wales is putting a major investment into its own hotel.

But while the food-service industry faces a major labor crisis, it is imperative for America's leading hospitality management schools to emerge from the Dark Ages and start emphasizing — in name and curriculum — restaurant management as a specific career.

These schools must enter the modern age, and they must escape from the attitudes of an era during which hotels indeed dominated.

If Purdue and Texas Tech can set such fine examples, then Cornell, Michigan State, Penn State, and others can do it, too!

## LETTERS

### *Operators: Don't give up on minimum-wage issue*

Editor, NRN:

I continue to read with interest NRN's editorials on the legislative front. I am particularly disturbed by your assertion that the industry may have to agree to some sort of minimum-wage bill, such as the one that died in Congress last year.

I read the committee report on that bill quite carefully. It acknowledged a discrepancy in the treatment of tips within the federal code, which it said should be avoided. All tips are recognized by the IRS as taxable for employment tax purposes. Yet the Labor Department only recognizes the same tips to the extent of $1.34 per hour.

The committee actually recommended a bill that would have gradually raised the minimum tipped wage year by year from its current $2.01 to more than $2.50 per hour by 1992. In an election year the clear purpose of this schedule of increases was not to reduce any tipped employee's wage.

As long as the employer FICA tax on tips remains, I do not believe this industry should let go of the compelling and irrefutable argument that tips should be treated uniformly in federal law. If tips are fully taxed like wages, then they should be fully recognized in satisfying the minimum wage.

Otherwise, this industry continues to have an effective minimum wage for tipped employees that is higher than in any other industry in the United States.

— **Andrew Reis**
*vice president*
Cafe Provençal
Evanston, Ill.

### *Restaurant packs them in with good old basic beef*

Editor, NRN:

I certainly enjoyed your Editor's Corner about the New York steak houses, which are still enjoying popularity because of the quality of the beef! I just finished expressing the same sentiment to NRN Southeast editor Jack Hayes, when he conducted the interview with us for your publication and asked why we were so successful.

Thad and I always had a chuckle when we heard people expound the fact that in this day of nouvelle cuisine and diet-consciousness no one wanted a big piece of beef.

The Angus Barn has had the same basic menu for 29 years, and we are still packing customers in, while many newer places with trendy menus and small portions come and go.

Thanks for the positive plug for our kind of restaurant.

— **Alice Eure**
The Angus Barn
Raleigh, N.C.

### *Trip to Kenya enhanced by crocodile at Carnivor*

Editor, NRN:

Florence Fabricant's column on Carnivor in Kenya was excellent! Her description was most accurate and interesting. It is a most special restaurant.

The flowers and gardens give the place a truly tropical setting of great beauty. The crocodile was our favorite, with the impala a close second.

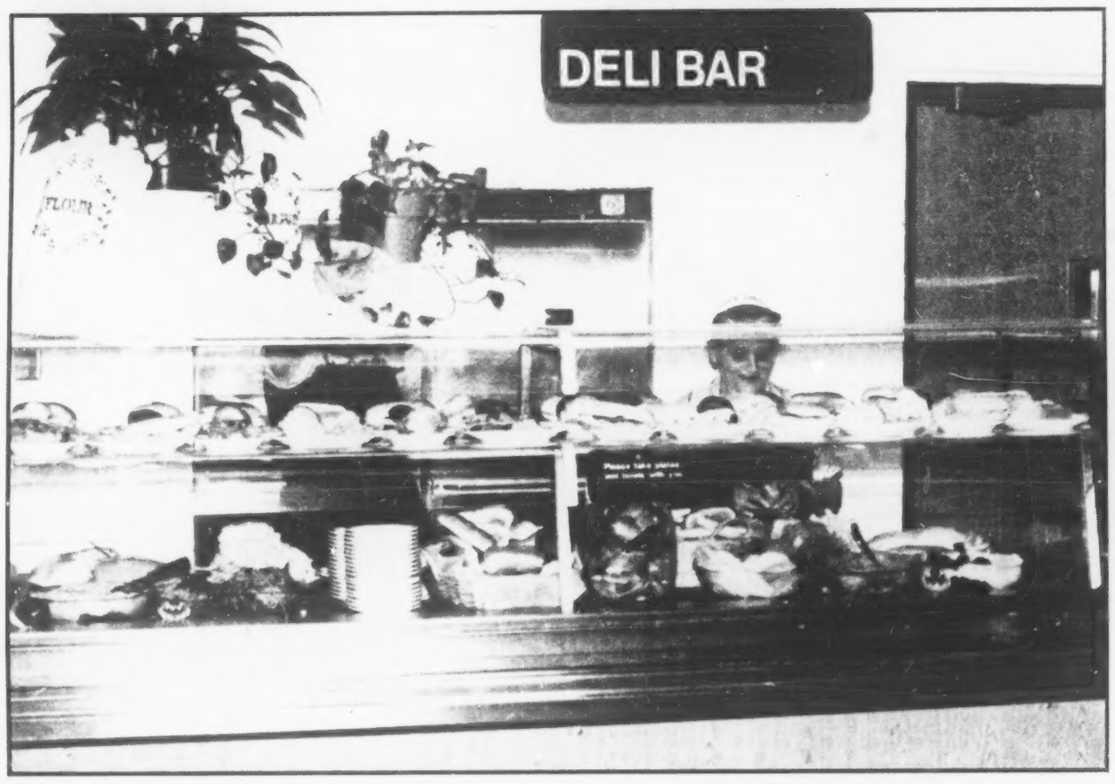
We find your newspaper most informative and have just one suggestion: more writeups on such fine international restaurants.

— **Tom B. Kullman**
*president*
Qualcon Inc.
Minnetonka, Minn.

# FOCUS | COLLEGE FEEDING

# THE NEW GRADE OF FOOD SERVICE

*College food-service programs roll new retail and à la carte operations*



NRN Photos

**Left: The Deli Bar at Hope College in Michigan. Above: Student at the University of Florida creates salad at student salad bar.**

**By Bill Carlino**

As changes in student demographics and eating preferences have an impact on college and university food-service programs, campuses throughout the country are gradually shifting from mandated meal programs to retail and à la carte operations.

In a food-service segment where combined revenues for self-operated and contract feeders exceed $7 billion annually, food-service directors are installing multiconcept cash outlets to appeal to all segments of the nation's 12.6 million collegiate students.

Long-perceived as a captive audience, college food-service programs now treat students as customers with high-powered spending capabilities.

At the majority of Marriott Corp.'s college dining accounts, students encounter the "Grand Marketplace," a multiple food facility that serves everything from steak and lobster in its upscale La Cuisine, or salads by the ounce in the health-oriented Greenstuffs.

In addition to residence dining halls, Michigan State University boasts an extensive "food-court" and six additional snack bars, while lunch at Ohio State may entail a Big Mac at the McDonald's franchise in the student union.

College food-service directors have even tailored programs for part-time and off-campus students.

At the University of Pennsylvania, both commuter and resident students who may miss the noon meal because of a schedule conflict can call the cafeteria 24 hours in advance to receive a box lunch.

Twenty percent of the students on meal plans at Baylor University utilize the convenient "Lunch Express," a take-out option.

Even meal plan payments have evolved to the computer age, as "declining balance" software programs allow students to purchase meals with the use of magnetized debit cards in lieu of antiquated coupon systems.

"College food-service operators are now beginning to perceive themselves as revenue producers instead of revenue consumers," says Clark DeHaven, executive director of the National Association of College and University Food Services. The 530-member NACUFS helps collegiate food-service directors improve their feeding programs through networking.

"For years food-service programs were simply another budgetary concern and were not expected to make money," DeHaven says. "Now they're expected to turn a profit."

DeHaven adds that as colleges see more older students returning to pursue degrees, dining directors have to accommodate dining preferences that are somewhat different from those of an 18-year-old.

Bob Hirtle, senior vice president of the school and college division of the Seiler Corp., agrees that the days of the routine one or two entrée meals are a thing of the past.

"Today students have a greater awareness of what they're eating," says Hirtle, whose Massachusetts-based company has 115 college feeding accounts. "They want a larger and more healthful variety of food and different ethnic dishes, too."

To meet student's expanded fare demands, Seiler Corp. rolled out Cafe Selections, a program of varied meal concepts.

Included are the Bon Cafe, complete with a pricey menu and a cafe-type ambience; Stock Options, which offers a variety of soups; the Deli Board; a grill station; a dessert bar; Cuisine to Go, offering take-out fare; and Classic Resort, a beverage fountain offering coffees, teas, premium bottled sodas, and mineral waters.

### To Contract or not to contract?

While retail food outlets are a common theme and profit center for all collegiate food-service programs, self-

*(See **NEW GRADE**, page F16)*

## TOP COLLEGE FEEDING CONTRACTORS

**Marriott Corp.**
Washington
**Chief executive of college food-service division:** Jim Kahl.
**Number of college feeding contracts:** 450.
**Number of annual meals served:** 320 million.
**Major accounts:** Marquette University, Texas Christian University, Harvard Business School, Washington University, Georgetown University.
**Estimated annual college food-service revenues:** $345 million

**Seiler Corp.**
Waltham, Mass.
**Chief executive of college food-service division:** Bob Hirtle
**Number of college feeding contracts:** 115
**Number of annual meals served:** 45 million
**Major accounts:** Johns Hopkins, DePaul, Farleigh Dickinson, University of Maryland, Colby College, Catholic University
**Estimated annual college food-service revenues:** $60 million

**ARA Services**
Philadelphia
**Chief executive of college food-service division:** Clarence Koester
**Number of college feeding contracts:** 250
**Number of annual meals served:** 160 million.
**Major accounts:** University of Virginia, Clemson University
**Estimated annual college food-service revenues:** $300 million

**Morrison Custom Management Inc.**
Mobile, Ala.
**Chief executive of college food-service division:** Karl Oldag
**Number of college feeding contracts:** 112
**Number of annual meals served:** 100 million
**Major accounts:** University of Illinois, Chicago, Swarthmore, Duquense, I.U.-P.U.I, Indianapolis (a combined campus with branches of Indiana University and Purdue University)
**Estimated annual college food-service revenues:** $55 million

**Service America Corp.**
Stamford, Conn.
**Chief executive of college food-service division:** Tighe Merkert.
**Number of college feeding contracts:** 81.
**Number of annual meals served:** 65 million.
**Major accounts:** University of Florida, University of Alabama, Towson State, Wright State.
**Estimated annual college food-service revenues:** $143 million.

**Canteen Corp.**
Chicago, Ill.
**Chief executive of college food-service division:** Mike Globke
**Number of college food-service contracts:** 53
**Number of annual meals served:** 85 million
**Major accounts:** East Carolina University; University of California, Irvine; University of Kentucky
**Estimated annual college food-service revenues:** $40 million

# FOCUS | COLLEGE FEEDING

## NEW GRADE OF COLLEGE FEEDING

*(Continued from page F15)*

operated directors with sputtering programs consistently wrestle with the notion of whether to allow contract feeders to run their dining programs.

Contract feeders control 65 percent of all college and university food-service programs in the United States.

Contract feeding giants Marriott, ARA Services, Seiler, Morrison Custom Management, Canteen, and Service America account for an estimated 1,100 college and university feeding accounts.

The scramble for college feeding contracts is a cost-competitive market that is heating up, according to DeHaven of NACUFS.

"Contract feeders will guarantee anywhere from a 6- to 10-percent profit," DeHaven says. "Often they'll invest several million dollars to upgrade rundown equipment in exchange for a five- to 10-year contract."

The University of Idaho, the University of Virginia, and the University of the Pacific are schools that have recently switched from self-operated to contract feeders.

"There's always someone who says they can feed you cheaper," says Hirtle, whose company recently outbid Marriott for the DePaul University account. "College feeding is essentially a very restricted market because you have to compete for existing colleges. There aren't many new colleges being built."

Small colleges in particular seem to be a target for contractors, as the 35 percent of the schools that remain self-operated are generally larger universities.

Colleges can become ripe for a contract "takeover," particularly in an administrative transition phase.

A new dean or president may have come from a school where the food-service had been successfully contracted, or the financial director discovers that the present dining system has become too great a financial drain to continue self-operation.

"If you're a small school, you're almost forced to investigate the possibility of using a contractor," says Karl Oldag, vice president of college and university food-service sales for Morrison Custom Management.

Contractors claim a higher level of professionalism, experience, and research and development facilities.

A spokesman for the Marriott Corp. cites the dining facilities at the St. Louis-based Washington University as an example of the proper match between school and contractor.

Ten years ago Washington University's dining program was a wheezing facility serving 1,800 meal contracts out of a single dining hall. The school had two failed trials with separate institutional feeders.

It was at this point that the university signed the SAGA Corp. to handle the feeding contract. When Marriott absorbed SAGA three years ago, the company assumed Saga's feeding agreement.

Today Washington University features 11 retail dining facilities locations and serves 61,000 meals a week.

However, despite the influx of contract feeding, self-operators maintain that awarding a faltering program to a contractor may not be a panacea for food-service profitability.

"Business managers and college administrators are slowly discovering that contractors are not a college dining cure-all," says Bill Hickey, director of university food services at the University of Notre Dame.

Notre Dame, which reverted to self operation when its meal contract with SAGA expired, serves about 25,000 meals per day with a staff of 1,000.

Hickey says he's currently budgeted at $1.85 per plate for each meal served.

"The problems that may have been there before like labor and rundown facilities won't suddenly disappear when the contractor arrives," he says.

Hickey says that Notre Dame's eating alternatives include "The Huddle," a quasi-mall concept that includes a fast-service Chinese concept, Leprechaun Pizza, a retail facility, and a 2,000-item deli-convenience store combination.

Sales at "The Huddle" hit $1.9 million last year compared with $900,000 four years ago.

The University of Pennsylvania was another school that returned to self-operation following unsuccessful tries with two separate contractors.

Dining services director Bill Canney says that before he came aboard in 1976, Penn's food-service program had been losing an average of $1 million a year. Today sales for Penn's dining rooms division alone is approaching $11 million, while food cost hovers at 37 percent.

One of the most intricate examples of self-operation , Penn's hospitality services division consists of three residence dining halls, the Faculty and Alumni Club, the upscale Penn Tower Hotel, and a full banquet and catering division.

"Within four years of self-operation, we went into the black and have been there ever since," says Canney. "We had 3,300 student meal contracts 12 years ago and nearly 8,000 now without an increase in enrollment.

Canney says that the increase in meal contracts was an especially relevant statistic since Penn has an all-voluntary meal plan. He credits quality, variety, service, and flexibility as primary reasons for Penn's dining about-face.

Penn upgraded its dining format by scattering food stations in all seven cafeterias to slash waiting time on lengthy serving lines, installed "wellness" bars, featuring fresh salad fixings, and made box lunches available for time-pressed students provided that they call the cafeteria and order the boxed fare 24 hours in advance.

Canney and Penn hospitality services director Don Jacobs implemented a late--night snack bar for students who miss dinner because of scheduling conflicts.

"We also allow students to exchange one dining hall dinner per semester for a meal at our Penn Tower Hotel," Canney adds. "That not only gives them a break from the dining halls but allows them to experience an elegant dining experience with their standard meal contract."

Like all collegiate food programs, nutrition is emphasized in the Penn University meals through its Nutritional Computer Program.

Each of Penn's dining halls post a computer printout listing the nutritional value for meal.

**Traditional board vs. declining balance.**

While standard 21, 19, 15, six, and five-meal conventional board plans have been a staple of campus dining, many operators have converted to a declining balance system — a software-based bar code operation.

Using the conventional board system, a student signs up on a specified meal plan for a onetime cost. Regardless of the number of meals chosen in the board plan, a student is allowed unlimited trips through the serving line but can only come into the dining hall time one time per meal.

With a declining balance system, the student puts a certain amount of money in his or her dining account before the semester and receives a magnetized card that is electronically channeled to his or her account.

As the students pass through the serving line, each item is priced out electronically, and the total sum of the meal is subtracted from their accounts when they check out at the register.

However, unlike the fixed-price board plans, individual food budgets are up to the student. If they exceed the amount in their dining account, meal service is terminated until the fund is replenished.

"With a declining balance system, students tend to spend more money than a straight cash operation," says Tighe Merkert, vice president of sales and marketing for Service America Corp.

Service America uses a declining balance system in its large-scale University of Florida and University of Alabama dining accounts.

"The commuter students in particular like a declining balance system because they don't have to carry a lot of money when they want to eat," adds Merkert. Merkert says a downside to the declining balance system is the cost of software installation, which may not be cost-efficient in smaller universities or community colleges.

"

Peg Howley, food-service director at the self-operated Ohio State says her operation is on the last phases of a $10 million dollar dining hall renovation. Besides refurbishing the dining facilities and equipment Ohio State plans to implement a declining balance system in lieu of the conventional method.

At Colorado College in Colorado Springs, Colo., food-service director Larry Stahlberg has melded an effective combination of a traditional board system with a declining balance system.

"The most common meal plan we have is the 11-meal flex plan with $140 of the up-front money allotted for snacks that can be subtracted with a declining balance system card," says Stahlberg. "Students pay a fixed price for the meal plan, and then we set aside the $140 for things like pizza and burgers."

Despite the magnitude of variety and food selections in college feeding, Seiler's Hirtle warns that operators can't wander too far from traditional markets and eliminate common junk foods.

**U.S. COLLEGE & UNIVERSITY ENROLLMENT, 1984-1988**
(in millions)

| | Full Time | Part Time | Total |
|---|---|---|---|
| 1984 | 3.67 | 8.60 | 12.2 |
| 1985 | 3.68 | 8.60 | 12.2 |
| 1986 | 3.62 | 8.90 | 12.5 |
| 1987 | 3.60 | 8.93 | 12.5 |
| 1988 | 3.76 | 9.00 | 12.6 |

Source: Center for Educational Statistics

## Pizza still delivers

**By Bill Carlino**

Although "variety" is a contemporary buzzword for a progressive college food-service program, pizza remains one of the most requested and cost-efficient menu items in collegiate eating circles.

In an effort to expand retail college pizza markets, contract feeders are developing concepts to capitalize on the potential campus gold mine of cheese, dough, and tomato sauce.

Retail pizza themes range from ARA Services' "Itza Pizza," Marriott's "Wild Pizza," Canteen's "Pazzelli's," and Seilers' "Slices Plus."

"Pizza is one of the easiest and least expensive items to serve," says Dan Eusebio, food-service director at the Seiler-operated Colby College in Waterville, Maine. "Students never seem to tire of it, and the average food cost for pizza is approximately 27 cents per pie."

Since the inception of Slices Plus two years ago, Eusebio reports that Colby's pie sales have topped 250 a day, with half of them coming via a 6-inch personal pizza that is sold for $1.50.

In addition to the personal pizza, Colby College offers both 16-inch and 12-inch pies, which retail for $4.50 and $7 respectively.

In fact, pizza demand became so great that Eusebio instituted a dormitory delivery system.

Like Colby College, the Marriott-operated South Dakota State began a campus delivery system for its Wild Pizza.

Seven days a week between the hours of 5 p.m. to 11 p.m., pizza is delivered to all campus dorms. Payment for the pie can by via cash or the declining balance card.

South Dakota's delivery concept has become so popular that the program averages 175 pizzas per night.

"We had expected a positive response when we tried the delivery system, but not like this," says South Dakota State dining services director Jay Hayes.

Hayes reports the most popular pizzas are the "Jack's Combo," named after the school's jackrabbitt mascot, and "The Hobo," a large-sized pie with every available topping piled on.

ARA's Itza Pizza, which now has units in over 200 colleges, made such an impact at Clemson University in South Carolina that students once devoured over 1,200 pies in one night.

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**KITCHENS**

***Birk's kitchen has grill power***

Focus section follows page 26

**EQUIPMENT**

***Analyze carefully before replacing***

Patt Patterson/Page 61

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NEWSPAPER

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# Top industry guns shoot for expansion

## *Smaller operators face squeeze as market leaders renew growth*

**By Peter Romeo**

Many of food service's fittest companies are giving Darwinism a shove by accelerating expansion at a time when feebler competitors are struggling merely to retain what business they have.

"They're taking advantage of the industry environment by grabbing up the good sites that other outfits are too weak to vie for," commented Ron Paul, president of the Chicago-based Technomic Inc. research concern. "It's going to force a shakeout in the second and third tiers."

In recent months McDonald's, Pepsico, General Mills, Imasco, TGI Friday's, and Cracker Barrel have all disclosed plans to crank out units of their respective restaurant chains at a faster pace. Some of the companies said they would seek out alternative sites, while others said they would seek to convert existing units to their concepts.

Their strategies echo the expansion plans already aired by such powerhouses as Carlson Hospitality Group, Marriott, TW Services, and Chili's.

In addition to muscling feeble contenders out of the domestic market, those players' ambitious growth strategies promise to reshape competition abroad for years, if not decades. Analysts have noted that many U.S. companies are using capital garnered from strong domestic operations to scoop up choice foreign sites, pre-empting chains that are

*(See **BIG GUNS**, page 4)*

# Labor-saving equipment tops shopping list at Carolina Expo

**By Jack Hayes**

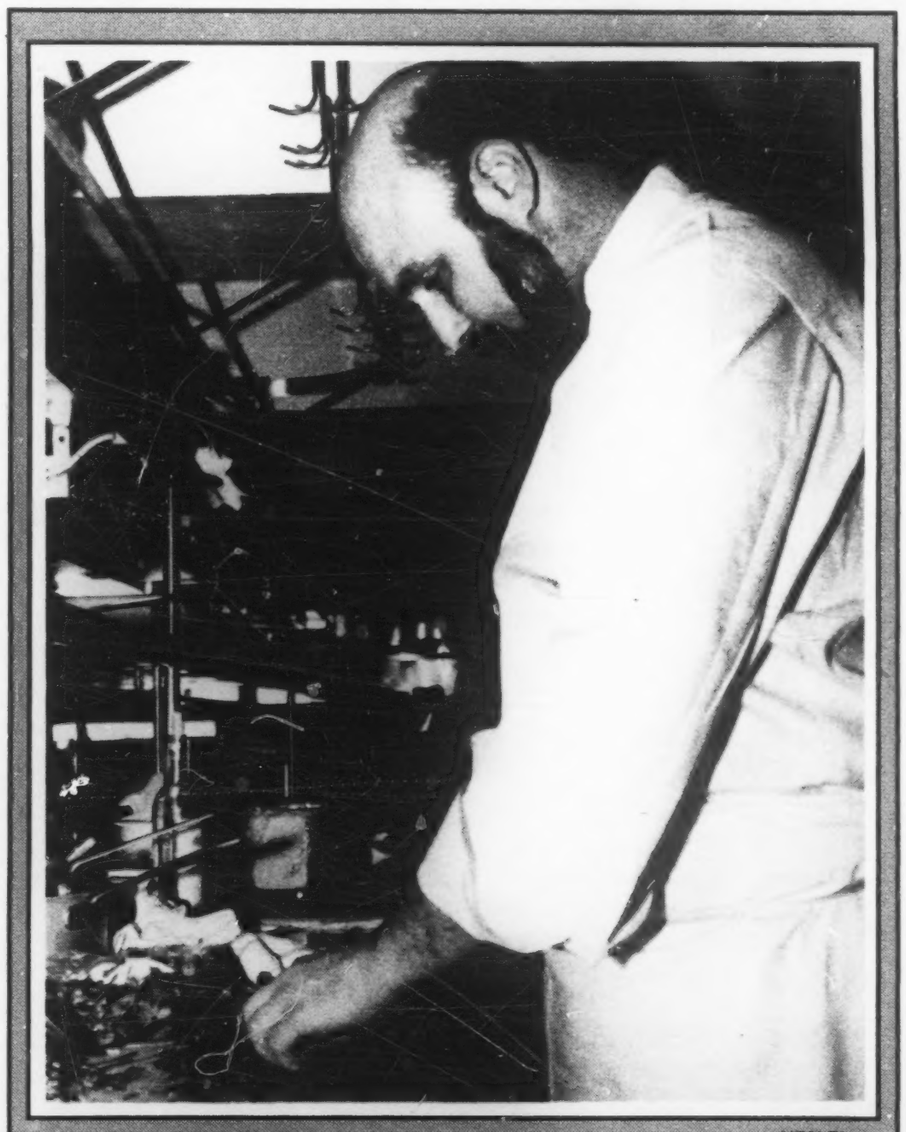
CHARLOTTE, N.C. — In the battle to keep kitchens cooking despite a worsening labor crunch and the threat of a higher minimum wage, a record crowd of restaurateurs showed up for the Carolina Food Service Expo, admitting that this may be the year they get serious about replacing people with machines.

Calling staff scarcity the real mother of invention, operators attending one of the key regional shows before the National Restaurant Association show in Chicago in May said labor-saving equipment ranks high on the list of possible solutions.

At the same time restaurateurs indicated that customer demand for nutrition has inspired them to continue searching out more cholesterol-free substitutes across the menu.

"It's ironic being in an industry that is so people-oriented and at the same time having to search for ways to replace people that aren't available," said Wilbur F.

*(See **OPERATORS**, page 4)*



NRN Photo

**Lawrence Forgione chops vegetables in American Place.**

## *More seats, lunch tabs spark Forgione move*

**By Ken Frydman**

NEW YORK — Lawrence Forgione's relocated American Place fine-dining restaurant has allowed him to triple his space, add nearly 100 seats, begin serving lunch, and replace prix-fixe dinner service with all-day à la carte menus.

Although Forgione owned his original An American Place restaurant at 70th Street and Lexington Avenue in Manhattan and the building that housed it, the 55-seat operation was too small for lunch, he said. So he sold the building and moved 38 blocks south.

*(See **FORGIONE**, page 70)*

**FOOD WATCH**

## *The Magnificent 7*

LOS ANGELES — Seven top Italian restaurants here teamed up to cater the International Food Media Conference.

The eight-course dinner at Rex il Ristorante included Pazzia restaurant's grilled bruschetta toast with olive oil, black olives, and tuna eggs; Emilio's Parmesan-filled mini-crêpes floating in capon broth; La Scala's penne pasta with radicchio in a cream and cheese sauce; and Osteria Romano Orsini's pappardelle pasta with porcini mushrooms; and Madeo's herb-roasted legs of veal.

Take-out trend alert

Page 7

Rex served its 17th-century recipe for branzino sea bass, which featured a saffron-honey-prune-almond sauce.

The meal was wheeled on carts into Rex's Art Deco dining room and carved and plated by the host restaurateurs.

— Richard Martin

# Hard Rock shaken as 4 factions emerge

**By Milford Prewitt**

ORLANDO, Fla. — The breakup of the famed Hard Rock Cafe into two unaffiliated factions is splintering further as four different concerns prepare to open five Hard Rocks.

The proposed development of new Hard Rocks in Toronto and Memphis, Tenn., has ignited a controversy because neither unit will be operated by the two better-known Hard Rock operators — concept co-founder Peter Morton, president of Hard Rock America in Los Angeles, or Mecca Leisure, a British entertainment conglomerate.

The Toronto unit has Mecca Leisure executives fuming over what they say is an infringement of their development rights. Furthermore, Mecca president Robert Earl said he is pursuing court action.

Morton's group will open one new unit in April in Sydney, Australia. Mecca Leisure, meanwhile, will start up two units, one in Boston and another in Orlando.

The Canadian Hard Rock will be the second developed in Toronto by the Bitove Corp., a food-service and

*(See **HARD ROCK**, page 70)*

BERNSTEIN ON ILLINOIS' PANACEA FOR OVERREGULATION — F3

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Vol. 23, No. 13 March 27, 1989

# NEWS DIGEST

## TW seeks alternatives to takeover by Coniston

NEW YORK — TW Services, the nation's fourth-largest food-service company, is contemplating the sale of one or more of its restaurant holdings as a way of eluding a takeover by Coniston Partners, the arbitrage firm here.

TW said it is also exploring the options of a leveraged buyout, a recapitalization, or a sale of the company to a third party. In government filings the company also indicated that it has not ruled out the possibility of acquiescing to Coniston, which tendered a $29-per-share bid more than six months ago.

Several years ago, in a successful attempt to thwart a takover by arbitrager Ronald O. Perelman, TW sold a hotel company and recapitalized the businesses that remained in its fold. The conglomerate's holdings today include Denny's, Canteen Corp., Quincy's, and some 300 franchised Hardee's units.

Coniston has indicated in Securities and Exchange Commission filings that more than 90 percent of TW's shares outstanding have been tendered. The arbitrager recently disclosed that it would seek to place two representatives on TW's board of directors at the company's shareholder meeting in April.

## DWG disregards $572M bid from New York investors

MIAMI — DWG Inc., parent of the Arby's fast-food chain, said it has disregarded a $572 million takeover bid in the wake of a declaration by principal shareholder Victor Posner that he would not sell his 46-percent stake.

The suitor, a New York investor group led by lawyer and parking-garage mogul Andrew Heine, would need at least 66.6 percent of DWG's common shares to force a change in ownership.

DWG said it has not even considered the group's $22-per-share tender offer in light of Posner's refusal to sell.

## 7-Eleven adds a.m. item to lure fast-food fans

DALLAS — The 7-Eleven convenience-store chain is mounting a new foray into fast food by adding a breakfast sandwich formulated to be eaten in cars.

Called the Breakfast Bite, the new item consists of a pork sausage link embedded in a split-top butter roll. The sausage was developed exclusively for 7-Eleven by Jimmy Dean, an advertised supplier of supermarket meats.

A split-top roll is used because patrons can hold it in one hand while they steer their cars with the other, the 7,000-unit chain said.

## New York restaurants face new garbage-handling rule

NEW YORK — The City Council has approved a mandatory garbage-recycling plan that would require restaurants and other businesses to separate recyclable refuse from the rest of their trash.

The places could either sort the garbage themselves or retain a private carting service to perform the task. New York residents would also be required to sort their garbage.

If the recycling measure is signed into law by Mayor Koch, the stipulation affecting businesses would be phased in over a five-year period. The mayor has indicated that he favors the plan.

## Hardee's extends menu with 2 chicken items

ROCKY MOUNT, N.C. — The Hardee's hamburger chain is expanding its array of chicken products with the addition of two sandwiches.

A grilled-chicken-fillet sandwich is being rolled into two-thirds of its more than 3,000 restaurants, a spokesman said.

In addition, the chain has added a $1.29 chicken biscuit sandwich.

## Retail chain tests diner as in-store traffic draw

CHICAGO — Merry-Go-Round, a chain of specialty clothing stores, plans to incorporate a 1950s-style diner into what could be the prototype for a new retail chain, said company president Michael D. Sullivan.

The restaurant, to be called Boogie's Diner, "will offer an effective way to distinguish ourselves from other apparel retailers" while providing "entertainment to draw people in," Sullivan told the Dow Jones News network. The eating place will be located on the mezzanine level of a store scheduled to open here soon as the trial balloon for a new retail concept.

The concept is apparently patterned after the Boogie's Diner that was unveiled a year ago in Colorado by Merry-Go-Round co-founder Leonard Weinglass.

## Callender pays Ramada $300,000 in back fees

NEWPORT BEACH, Calif. — Facing the seizure of his eight Marie Callender's franchised restaurants, chain founder Donald Callender has paid franchisor Ramada Corp. more than $300,000 in back royalties.

A source close to the situation said Callender had withheld the payments since August because of his claims against the company. Callender, Ramada's second-largest shareholder, is embroiled in several lawsuits with the company, including one over alleged breaches of the terms under which Ramada had bought Marie Callender's from him in 1986 for $57 million and 2.5 million Ramada shares.

Ramada is selling Marie Callender's to help block a takeover by Chicago's Pritzker family, its largest shareholder.

## New extra crispy products eyed by KFC, licensee says

LOUISVILLE, Ky. — Kentucky Fried Chicken is reformulating the extra-crispy version of its fried chicken and is developing a new spicy formulation of the crunchy product, according to Collins Foods, a major West Coast franchisee.

A spokesman at the chicken chain's headquarters here said he could neither confirm nor deny the reports, which came from Collins president Richard Bermingham during a financial conference in New York.

Many KFC units in urban markets currently feature an extra-crispy version of fried chicken. A spicy extra-crispy product would be a completely new item for the segment-leading chain. Peppery fried chicken is currently the signature offering of the rival Popeyes chain.

## Dunkin' Donuts tests new dunkable product

RANDOLPH, Mass. — Dunkin' Donuts is seeking to expand its line of baked goods by test-marketing a doughnutlike product that comes with dipping sauces.

Called Dunkin' Dippers, the finger food consists of crescent-shaped wedges of pastry dunked in syruplike sauces. The dips come in several flavors, including strawberry, orange, and apple cinnamon.

## El Pollo Asado plans more cafe conversions

PHOENIX, Ariz. — The El Pollo Asado chain said it plans to transform more of its fast-food chicken restaurants into Mexican-style cafes as part of a plan to improve the operator's financial situation.

Asado said it plans to pay for the conversions with a portion of the $2.5 million it secured through the renegotiation of its loan agreement with an unspecified bank. The arrangement suspends Asado's loan repayment schedule until June 1991 and exempts the chain from certain interest payments. In exchange, the lender was awarded options to purchase 2.7 million Asado shares at 20 cents each.

In detailing the agreement, Asado noted that payment deadlines had been extended in the past to avoid defaults.

# FOCUS | OPINION

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# Illinois: Panacea for overregulation

In the midst of blatant government interference in the restaurant industry on both federal and state levels, a pace-setting free-enterprise experiment is being implemented with spectacular results in Illinois. This contrasts dramatically with government's penchant for regulating the minimum wage, FICA taxes on tips, business meal tax deductions, health benefits, parental leave, and franchising.

It is in franchising that Illinois attorney general Neil Hartigan has made a huge difference. When he took office six years ago, the bureaucratic system was in chaos. "We were compiling and filing 29 reports a month on franchising," he said recently, "and nothing much was happening. I decided to do away with this onerous burden and make the system work."

The situation Hartigan faced was that all franchises of every type were being regulated, but enforcement was erratic. He established a Franchise Advisory Committee of business people and started a test program under which the state government was in effect the employer and franchisors the employees.

Hartigan did away with the endless stream of government reports and concentrated on specific actions. "We're really only after the 1 percent or 2 percent of franchisors that cause problems," he said, "and we should not be trying to regulate 100 percent of them. That creates red tape and government interference."

Under Hartigan's non-bureaucratic approach, food-service and other franchisees have prospered in Illinois. He emphasized that "by doing away with 100-percent government regulation, franchising is realizing the American dream in Illinois. We've created a healthy environment for franchisors and franchisees alike."

This may sound like pap, but it has produced results. Since Hartigan took office in 1983, the number of franchising companies in Illinois has almost doubled, from 448 to 866. Actually, 200 new franchisees came in last year after the State Legislature finally passed Hartigan's new streamlined Franchise Disclosure Act.

This sharply curtails state government red tape for legitimate franchising companies. At the same time it protects Illinois investors by imposing severe penalties on individuals and companies that violate state franchising regulations.

Hartigan, who was Illinois lieutenant governor from 1973 to 1977, has been an outspoken advocate of consumer legislation as well as a protector of franchisor, franchisee, and investor rights within the framework of a free-enterprise system.

Also among Hartigan's major achievements that could provide viable examples for other states: eliminating endless delays in the franchising registration process, increasing the penalties for those who violate the Franchise Disclosure Act, and making the Attorney General's office a well-run profit center rather than a drain on taxpayers.

Everyone can learn a valuable lesson from the fact that for each dollar that is spent on the Illinois attorney general's office, more than four dollars is recovered through assertive legal efforts.

Hartigan, 50, who worked in private industry as international banking senior vice president of the First National Bank of Chicago for five years before becoming attorney general, stresses a business approach to government and believes in profits rather than in deficits. He was the the International Franchise Association's 1988 Free Enterprise Award winner.

The way he sees it: "Small business is the backbone of our economy. As such, it is our duty as public servants to protect small business from dishonest operators and to help cut their costs by making it easier to comply with state regulations."

How wonderful it would be if other state governments and the federal government took this same progressive approach in encouraging small business — the foundation of the restaurant industry — rather than discouraging it through an endless array of regulations and bureaucratic red tape.

Federal and state governments have generally created a hostile climate for business and run up large deficits at taxpayer expense. There is no reason why government can't be run like a business, sparking a favorable climate.

## LETTERS

### *Industry discrimination snubs experienced workers*

Editor, NRN:

I'm so glad to see that someone finally spoke out about the very common age discrimination in the food-service industry. I'm referring to a letter that was published in Nation's Restaurant News from Rolf Olofsson of Bar Harbor, Maine, in conjunction with the temporary workers' lack of professional pride.

In his letter he mentioned the thousands of capable and highly motivated men and women who are refused jobs because of age. He referred to "Age discrimination: missed opportunity," "a blatant loss of opportunity, not only for the veteran employee, but for the entire food-service industry."

How true it is; it could not have been said better. After searching for a job in the food-service industry for nearly six months and still searching, I have come to the conclusion that the food-service industry must be one of the chief violators of age discrimination in America.

The age discrimination law on the books is useless. The industry is well aware of it; it can invent hundreds of excuses why one does not qualify for a particular job in order to bypass the law.

One recent reply to an ad by one of the largest U.S. corporations advised me that I did not have the qualifications for the job advertised; however, it has been my lifetime profession, and I have always executed it well in all my positions. In addition, I am certified by the American Culinary Federation, which has stringent professional requirements and standards.

Another company from California wrote me that it was impressed with my résumé and would like to schedule an interview but regretted that it did not provide transportation and hotel accommodation expenses. It also informed me that, should I pursue the matter and schedule an interview, I would have to visit a few of its restaurants for observation prior to the interview.

Therefore, I would be scheduled for at least two and possibly three interviews. This would involve a minimum of three full days at my expense in Los Angeles. It was stressed that I should be aware that there were no guarantees regarding employment, and, should I be offered a position, no relocation expenses would be reimbursed.

What a way to dispose of a job-searching veteran employee in an industry that has problems recruiting qualified pesonnel and to clear oneself from the law!

In the last 10 years I have lost my job in two companies because the positions were abolished because of mergers and buyouts. Each time it has become more difficult to reassociate with a company, because most companies look for entry-level and younger people. The bottom line is that they want to pay less.

The industry cries the blues with regard to the availability of *qualified* personnel. The fact is that it does not want to pay for experience, which therefore eliminates the experienced and well-qualified veteran employee.

Once you get to be more than 40 years of age, you're disposable, and the large corporations don't care what happens to you.

It is a sad situation in our industry. Experience and age justifiably command a higher salary than an entry-level junior employee with little or no experience. When will the industry wake up?

Although résumés may not reveal an applicant's actual age, most companies can easily determine a person's approximate age, based upon the years of experience and education. This is most unfortunate!

So what is one to do? Are we to lie about our age in order to even be considered for a job? Are we just to sit around and waste our minds and experience until our time is over even if we have another 10 to 15 of our best years to give?

**— Kurt H. Elmer**
Arlington, Texas

### *Christo's: A prime spot with a diversified menu*

Editor, NRN:

I really enjoyed your Editor's Corner column regarding the continued popularity of prime steak houses in New York. My only regret was that Christo's, a 52-year-old landmark on East 49th Street, was not mentioned. Your article could not have described Christo's better in referring to a diversified selection of menu.

**— Frank P. Mormando Jr.**
*owner*
Christo's Steak House
New York, New York

FINANCIAL NEWS

# Church's loses $14.5M

## *Store closings, takeover fees turn ink red in '88*

**By Peter Romeo**

SAN ANTONIO — Church's Fried Chicken Inc., the fast-food operation being acquired by A. Copeland Enterprises for $392 million, reported a net loss of $14.5 million on revenues of $419.6 million for the year ended Dec. 25.

The results compare with a net income for fiscal 1987 of $9.5 million on revenues of $400.5 million. Systemwide sales for the Church's chain, which consisted at year-end of 998 company units and 371 franchised stores, were $559.8 million, up less than 5 percent from the prior year's tally.

"The results were in line with what we expected because of the store closings," commented Copeland president James Flynn, referring to the shuttering of 109 company-run Church's units during the fourth quarter. The company wrote off $20.2 million for ceasing operation of the unprofitable restaurants.

Losses for the final three months of fiscal '88 were further deepened by a $6.7-million outlay for legal and financial counseling sought during Copeland's pursuit. Church's fourth-quarter deficit surpassed $16.5 million, compared with a profit of $856,000 for the same stretch of fiscal 1987.

*'The results were in line with what we expected because of the store closings,' commented Copeland president James Flynn.*

Church's said more red ink was generated during the year by an 11.3-percent spurt in food and operating costs, to $424.5 million.

But the damage was tempered by an income tax benefit of $13.5 million, compared with an expense the prior year of $6.5 million.

Church's losses for fiscal 1988 translated into a 1988 per-share loss of 40 cents.

Copeland has agreed to pay $11 in cash and securities for each Church's share outstanding.

After a long and fervent effort to elude a takeover by Copeland, Church's surrendered on Feb. 15.

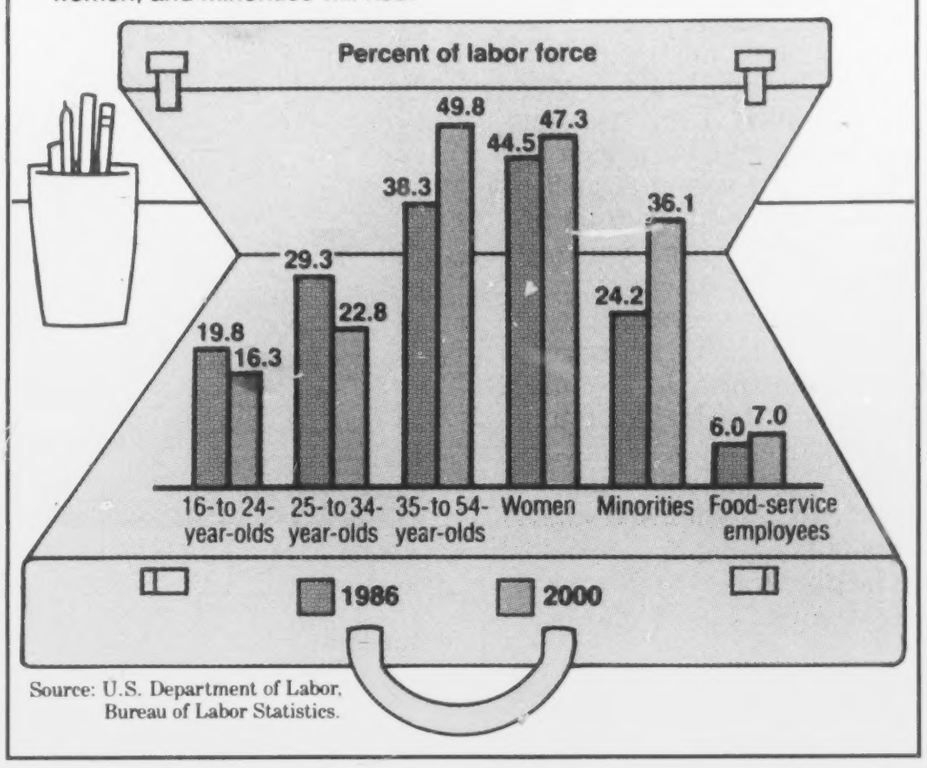
Copeland has said that it will grow Church's in tandem with Popeye's, instead of merging the two brands into one chain.

## FACT FILE

*A look at the statistics shaping the industry*

**LABOR 2000**

*In the year 2000, employers will find teens and young adults in short supply. The number of 16- to 24-year-olds will drop 3.5 percentage points to 16.3 percent of the workforce. The percent of middle-aged workers, women, and minorities will rise.*




Source: U.S. Department of Labor, Bureau of Labor Statistics.

# Famous loses $984K for year

**By Rajan Chaudhry**

SCOTTSDALE, Ariz. — Famous Restaurants Inc., which operates 43 full service Mexican and seafood restaurants, said a $711,000 provision for unprofitable seafood restaurants and an operating loss of $273,000 combined to sink the company $984,000 in the hole for the year ended Jan. 1.

Last year, Famous posted net income of $2.3 million. Revenues for 1988 fell 4 percent year to year, to $68.5 million.

Higher health-care and other insurance costs and a $500,000 increase in interest expense contributed to the company's poor showing, it said.

For the fourth quarter, the company said its net loss totaled $1.6 million, reflecting an operating loss of $856,000 and the $711,000 write-off.

Revenues for the quarter fell slightly, to $15.6 million, from $15.9 million in 1987.

Sales for the four seafood restaurants operated by Famous in 1988 were off by $1.9 million and profits were down $916,000, the company said.

As a result, Famous closed one seafood restaurant in Tempe and sold another in Fresno, Calif. A third restaurant — in Santa Barbara, Calif. — was forced to close in October because of construction on an adjacent highway, the company said.

Famous said it is pursuing a condemnation award for the Santa Barbara Restaurant.

Since year's end, the company has opened one Famous Fish Co. and one Garcia's Mexican restaurant, leaving it with two seafood restaurants and 44 Mexican restaurants, three of which are franchised.

## NRN FINANCIAL DIGEST

### TW Services drops 1989 earnings

PARAMUS, N.J. — TW Services Inc. has lowered its net earnings for 1989 to $53.7 million, from a previously reported $66.8 million, to reserve the difference for an anticipated lawsuit settlement.

The $13.1 million would be used to resolve class-action suits against Denny's, the coffee-shop operator bought by TW in 1987. The litigation accuses Denny's of omitting and misstating information in the 1986 prospectus for a public offering of partnership shares in Winchell's Donut Houses, then a Denny's subsidiary. TW now holds 42 percent of the chain.

Denny's has denied the allegations.

TW also operates contract feeder Canteen Corp., chicken chain El Pollo Loco, and the Quincy's steak-house chain.

### Two Pesos takes $959,000 from insurer

HOUSTON — Two Pesos Inc. has received $959,000, the balance of the policy limit, from one of its three insurance carriers, the company said.

The settlement was reached after Two Pesos filed a lawsuit in early March to force the carriers to pay the nearly $3 million in damages and attorney's fees awarded to rival Taco Cabana in a trade-secret misappropriation case.

The company is continuing negotiations with its other two carriers and is appealing the judgment, it said.

In the third quarter ended Dec. 31, Two Pesos recorded a charge of $3.4 million, which represents an award of damages, attorney's fees, and the estimated cost of complying with court-ordered changes in the concept. The company said the insurance proceeds would be used to offset this charge and will be reflected in the fourth quarter.

Two Pesos operates 27 company-owned and three franchised quick-service Mexican-style restaurants.

### Vicorp buys back preferred shares

DENVER — Vicorp Restaurants Inc. said 426,492 shares of preferred stock were tendered to the company in its $17.50-a-share cash offer to purchase any and all outstanding shares of the stock.

Vicorp, which operates the Bakers Square and Village Inn restaurant systems, said 370,105 preferred shares remain outstanding.

## FOOD PRICE OUTLOOK

# *Chilean fruit scare drives prices up*

The cyanide scare that has held up shipments of **Chilean fruit,** especially **grapes,** has boosted prices. Even if shipments are allowed to continue, some crop will be lost, and prices are expected to stay high.

At the same time, the Alar pesticide scare in **apples,** which has hit food service as well as consumers, is pushing apple prices down. Shippers are holding large stocks, and with school districts all over the country dropping apples and apple products, food-service movement has slowed to a crawl.

The outlook for the nation's **grain** crop, which directly affects the price of **meat, poultry, bread,** and even **frying fat,** presents a mixed picture. The worst element is continued dry weather in a large part of this country's **wheat** growing area. Kansas, Oklahoma, and Texas have had about 40 percent of their normal rain and snow. That, combined with an early March heat wave, has raised fears about the winter wheat crop (which is planted in the winter and harvested in late spring).

**Soybean** prices may drop, helping frying fat users. Brazil is expecting a record crop, which should force down world prices since a major part will be exported. However, a possible dockworkers' strike in that country could hold up exports until late spring.

**Tomato paste stocks,** which have virtually dried up, were helped recently by sharply increased imports. Despite forecasts of reduced imports because of short packs by most overseas suppliers, climbing prices apparently has drawn out larger than expected foreign supplies. Expect the **California pack** to be boosted this year to get the business back.

**— Patt Patterson**

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# House passes measure to hike minimum wage

## *Rejects Bush proposal despite threat of veto*

**By Ken Rankin**

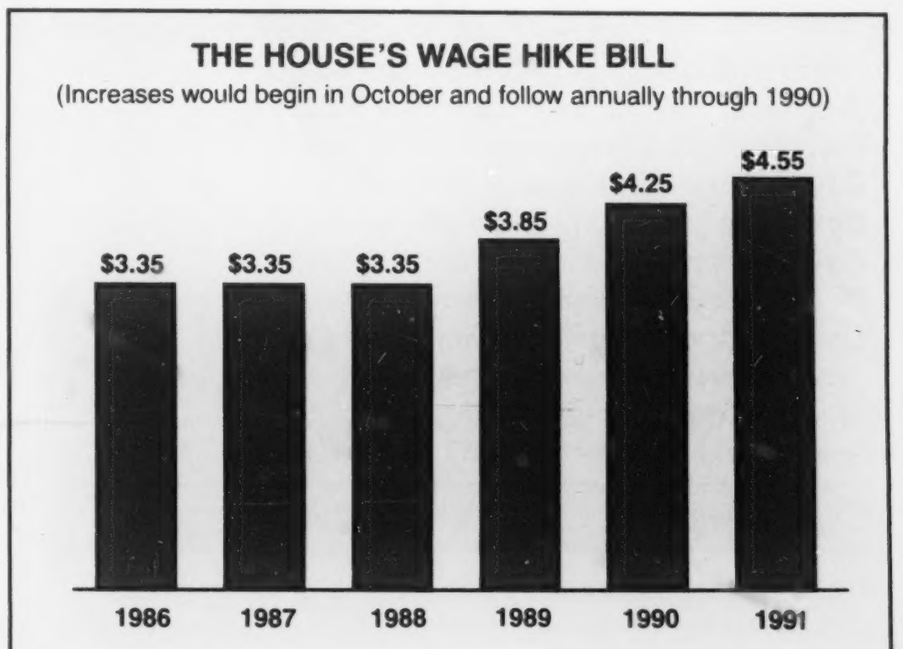
WASHINGTON – House Democrats put Congress on a collision course with the White House by passing legislation to raise the minimum wage to $4.55.

Although the House-passed bill was amended to include a watered-down version of the "training wage" provision favored by the food-service industry, the legislation drew an icy response from top Bush administration officials.

Noting that the president had agreed to support an increase in the wage floor to $4.25 "and no higher," Labor Secretary Elizabeth Dole said that if the Senate minimum-wage bill mirrors the House measure, she will recommend a veto.

Although the House approved the legislation by a

*(See **MINIMUM WAGE**, page 4)*



NRN Photo

**Patrick Terrail in the skylit dining room of Ma Maison.**

# *Ma Maison tradition revived at new address*

**By Richard Martin**

LOS ANGELES — Patrick Terrail, founder of the world-famous Ma Maison bistro, mastered the Hollywood restaurant game and for a time enjoyed a virtual monopoly as Tinseltown's "power" dining mogul.

Now, in the best tradition of Monopoly, the legendary restaurateur has parlayed his "house" (Ma Maison is French for "my house") on Melrose Avenue into a hotel on Beverly Boulevard.

The original restaurant closed in 1985 after a 13-year run that propelled the careers of Wolfgang Puck and scores of other gifted chefs and managers. Terrail opened the "new" Ma Maison restaurant in December as part of the $52 million Ma Maison Sofitel hotel, which is managed by the Paris-based Sofitel group.

No longer the restaurant's owner, Terrail sold the rights to Ma Maison years ago and works now as the hotel's food and beverage direc-

*(See **MA MAISON**, page 71)*

# Food scares prompt operators to study supply, prep methods

**By Milford Prewitt**

Highly publicized food scares are rekindling attention to food safety, prodding some operators to re-examine their methods of food procurement and preparation.

The old fears about pollution and pesticides temporarily faded in the background as a series of new alarms took center stage: cynanide-laced imported Chilean grapes, alleged cancer-causing ripening agents in apples, and potato preservatives that disrupt the nervous system.

**Call NRN Hotline to speak out on food safety**
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**Inquiring photographer asks about mandatory seafood inspection**
**Page 69**

The Chilean grape scare introduced a new term, "food terrorism," while both Newsweek and Time rushed forward with nearly identical cover stories asking, "How Safe Is Your Food?"

The school districts of New York City, Chicago, Los Angeles, Dallas, and other areas temporarily removed apples from their inventories and menus following reports that a

*(See **OPERATORS**, page 71)*

# In-flight feeders fuming over TV ad

## *Car spot stereotypes fare*

**By Bill Carlino**

LOUISVILLE, Ky. — A satirical TV commercial for National Car Rental that includes a parody of airline cuisine has outraged in-flight feeding contractors.

The controversial spot, created by Chiat/Day, New York, promotes National's Emerald Aisle travel card, a service that expedites the logjam usually associated with car-rental procedures.

However, it was the commercial's mechanized stereotype of airline feeding that prompted Phil Cook, executive administrator of the 350-member In-Flight Food-Service Association based here, to draft a letter to National Car Rental president Vince Wasik.

"We realize that food-service companies are an easy target, but we resent being used as a punch-

*(See **AIRLINE FEEDERS**, page 71)*

## FOOD WATCH

# *'50s fare with flair*

CHICAGO — The menu at Hopper's Dining Car in Chicago, the Levy Restaurants' updated interpretation of an old-fashioned diner, lists all the standards of a 1950s menu: meat loaf, macaroni and cheese, and milk shakes.

It becomes apparent that this sophisticated outpost in North Michigan Avenue's classiest shopping mall is not a 1950s throwback when one reads the gourmet ingredients of these classic homespun favorites. The meat loaf is made with veal and accompanied by leeks, shiitake mushrooms, and a crisp potato pancake ($8.95), and the macaroni comes with not one, but four cheeses — Fontina, Asiago, Bel Paese, and Gorgonzola ($7.90).

From the fountain the expected milk

*(See **HOPPER'S**, page 71)*

CHARLES BERNSTEIN ON THE ULTIMATE VICTIM: THE 'LITTLE GUY' — F3

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Vol. 23, No. 14 April 3, 1989

# NEWS DIGEST

## Ramada inks deal to sell Callender's to NY investors

PHOENIX, Ariz. — Ramada Corp. has struck a definitive pact to sell its 152-unit Marie Callender Pie Shop chain to Wilshire Restaurant Group, a new corporation formed by the New York-based investment firms Hayes Financial Corp. and Hampton Ventures Inc.

The sale price and terms were not disclosed pending the deal's anticipated closing this month. In 1986 Ramada paid $57 million and 2.5 million shares for the chain.

Michael Hayes, a principal of Hayes Financial, said Marie Callender's management team, headed by Ramada veteran Tom Martin, is expected to remain intact at the chain's Orange, Calif., headquarters. Martin would report to Steven Shulman, the chairman of Wilshire Restaurant Group.

The proceeds and those from the planned sale of Ramada's hotel division by midyear would fund a dividend of at least $7 a share, which was offered to defuse a takeover bid by Chicago's Pritzker family. Under the Ramada board's restructuring plan, current management loses the Ramada brand but retains the Phoenix-based company's lucrative gaming division.

## TW stockholders withdraw shares offered to Coniston

NEW YORK — Stockholders of TW Services, the food-service giant striving to evade a takeover by Coniston Partners, have handed Coniston a setback by withdrawing 16.6 million of the more than 32.2 million shares they had tendered to the raider.

The withdrawal bolsters TW's chances of winning an anticipated proxy battle at its shareholders meeting later this month. Coniston has notified government regulators that it plans to seek two seats on TW's board of directors.

Meanwhile, Gerald Schwartz, chief executive of Onex Corp., told Dow Jones News Service that the company might tender a bid for TW's Canteen Corp. contract-feeding subsidiary. Onex operates Sky Chefs, an in-flight caterer. Several years ago, in an earlier incarnation, TW escaped a hostile bid by selling one of its businesses.

Coniston had amassed a 19-percent stake in TW before launching its $29-per-share, $1.4 billion tender offer last fall. At one point Coniston stated that tendered stock, combined with its holdings, amounted to more than 90 percent of total TW shares outstanding.

In extending the deadline for the tender offer, Coniston recently disclosed that the stock it held or could buy amounted to 49 percent of total shares outstanding.

Stockholders apparently withdrew tendered shares after TW disclosed that it had retained an advisor to evaluate such alternatives as selling all or part of the company to a "white knight."

## Soviet chefs' delay fuels reports that Moscow's edgy

EDMONDS, Wash. — A group of Soviet chefs expected to arrive here as part of a grass-roots goodwill exchange was overdue late last month, spurring some speculation that they were being delayed because of the controversy surrounding free-enterprise "cooperative" restaurants in the Soviet Union.

Unlike the Soviet food-service representatives who garnered headlines when they visited the United States earlier this year, the chefs expected here work in privately owned cooperatives.

Speculation that the chefs were being intentionally delayed centered around the idea that conservative communist party members might be concerned about the high visibility of the first band of cooperative chefs and owners to visit the United States.

Jerilyn Brusseau, founder of Peace Table, the American group that initiated the exchange, said the chefs, originally due March 3, had not arrived as of March 23. American members of Peace Table worked in Soviet restaurants and stayed in private homes during a tour in January, she said.

## NY hunts water waste in city's restaurants

NEW YORK — City Hall said it is cracking down on water wastage in restaurants here to ease what is anticipated to be one of the Big Apple's worst droughts.

Inspectors have been instructed to enforce more diligently an ordinance that prohibits restaurants from providing patrons with unsolicited glasses of water. Violators will be fined $100 for each infraction, officials said. Businesses can also be fined for leaky faucets. In addition, as part of a "drought emergency" declared by Mayor Koch, each dining place will be required to slash its water consumption by at least 20 percent. Businesses are expected to select their own means of conservation.

## Baskin-Robbins taps Savel for president's position

GLENDALE, Calif. — Baskin-Robbins, the 2,500-unit chain of ice-cream dipping stores, has named William Savel to the new position of president and chief executive.

James Earnhardt, president of Baskin-Robbins USA, and Michael Cohn, the head of international operations, will retain their former duties but will report to Savel. Savel, 55, was previously president of Peter Paul Cadbury USA, a candy bar maker.

## Aoki taps chmn., wife for top Westin slots

SEATTLE — Aoki Corp. said its chairman, John Aoki, and his wife, Chieko Aoki, have succeeded Harry Mulliken as chairman and chief executive, respectively, of Westin Hotels, the luxury chain acquired by Aoki Corp. last year for $1.35 billion.

Chieko Aoki will also assume Westin's new post of deputy chairwoman, reporting to her husband. She has served as director of sales and marketing for Caesar Park Hotels, a chain in Brazil, and has studied at Cornell University's school of hotel administration. Aoki said Mulliken, a 48-year veteran of Westin, is retiring. He is 62 years old.

## Hemingway and Crisman shutter ill-fated Zemos

MIAMI — Mariel Hemingway and Steve Crisman, operators of the popular Sam's restaurants in New York, have closed their Zemos food-service venture here less than two months after swinging open the doors.

Zemos was an effort by the husband-and-wife team to branch beyond the Sam's concept. However, local sources said, the operators underestimated local competition.

Crisman's brother, Eric, is a partner in the restaurant. The place opened in January.

## Lafayette promotes Simon to baking post

NEW YORK — Restaurant Lafayette, the acclaimed restaurant of the Drake Hotel here, has promoted Kerry Simon to pastry chef. Simon, previously sous chef at Lafayette, has also worked in the kitchens of such distinguished New York restaurants as Lutèce, La Cote Basque, and Cafe Greco. Lafayette is one of the city's highest-rated restaurants.

## *Note to readers:*

**Nation's Restaurant News readers looking for the Financial News department will find it in a new location beginning this week — after the Food and Marketing pages.**

**The move also follows the introduction of two new features on the Financial News page — Fact File, a graphic look at the statistics shaping the industry, and Food Price Outlook, a weekly survey of commodities costs. The location of the Stock Market Tables page remains unchanged.**

FINANCIAL NEWS

# ShowBiz flexes independence in bid to rejuvenate Monterey

**By Peter Romeo**

IRVING, Texas — Armed with new management and a bushel of cash, ShowBiz Pizza

News Analysis

Time Inc. is spending its first year of independence in a quest for a greater share of Houston's fiercely competitive Mexican dinner-house market.

The company, operator of the ShowBiz and Chuck E. Cheese pizza chains, was spun off in December from Integra, an innkeeper here formerly known as Brock Hotel Corp. Integra's stockholders were issued about four ShowBiz shares for every 10 Integra units they held. In the course of the divestiture, ShowBiz paid Integra $11 million for Monterey House, a wheezing Mexican chain with 31 of its 58 units in Houston.

ShowBiz is wagering that it can restore Monterey to profitability by broadening the concept's current market base of blue-collar, low-income adults. To bring more families into the fold, the company plans to expand Monterey's menu, modernize furniture and fixtures, and literally cast dining rooms in a new light.

"We're popping in windows to brighten the dining rooms," explained ShowBiz chairman and chief executive Richard Frank. "The restaurants are old and dark. The chain was bankrupt when Integra bought it [in 1987] and hadn't been renovated in a long time."

Seemingly slight but fundamental alterations, he pointed out, have yielded 12 consecutive quarters of real sales growth for the ShowBiz and Chuck E. Cheese chains, which both looked like goners in the mid-1980s. Chuck E. Cheese was bankrupt when Showbiz acquired it, and the ShowBiz system dragged its parent to the brink of insolvency in 1986.

Today the two systems' sales make ShowBiz the nation's seventh-largest pizza operator. The two chains encompass 265 units.

**The management team of ShowBiz Pizza Time Inc. consists of: seated, from left, Matthew P. Drennan, Ronald F. Saupe, Richard T. Huston. Standing, from left, are J. Terry Spaight, Richard M. Frank, Michael H. Magusiak.**

"You will see Monterey return to profitability probably in the third or fourth quarter of 1989," Frank declared.

A resurrection of Monterey would no doubt snare more attention from Wall Street, which, according to Frank, failed to appreciate ShowBiz's sales and profit potential while the operation was part of Integra.

"One of the reasons for the spin-off was that investors didn't seem to understand us," he said. "They didn't value us for what we were." Yet in 1987 ShowBiz's revenues of $125.9 million accounted for 66 percent of Integra's sales, and the restaurant division's operating income of $6.1 million enabled the parent company to post net earnings of $5.1 million.

As a result of the spin-off, "the profitability of the restaurants won't be obscured by [Integra's] hotel losses," Marlene Lundberg, an analyst for the Value Line financial advisory service, noted in a recent report.

Integra also opted to divest itself of the restaurant operations "because there was very little synergy between its hotels and ShowBiz," Frank explained. The two divisions were operated as completely separate businesses, each with its own operational staffs.

In preparation for the split, Frank assembled a new administrative team for ShowBiz. Terry Spaight, an associate of Frank's during his long tenure at Steak and Ale, was recruited from the steakhouse chain to become ShowBiz's president and chief operating officer. Industry veteran Matthew Drennan was tapped for the post of executive vice president and director of operations for Monterey, and Michael Magusiak was appointed chief financial officer.

The new hires joined executive vice president and marketing director Richard Huston, who joined ShowBiz several years ago from the El Chico Mexican restaurant chain. Executive vice president and general counsel Ronald Saupe was recruited from the Chili's dinner-house chain in 1986.

The revamped team plans to focus its energies during 1989 on overhauling all 31 Monterey Houses in Houston.

Two Monterey units were renovated elsewhere in Texas

*(See **SHOWBIZ**, page 70)*

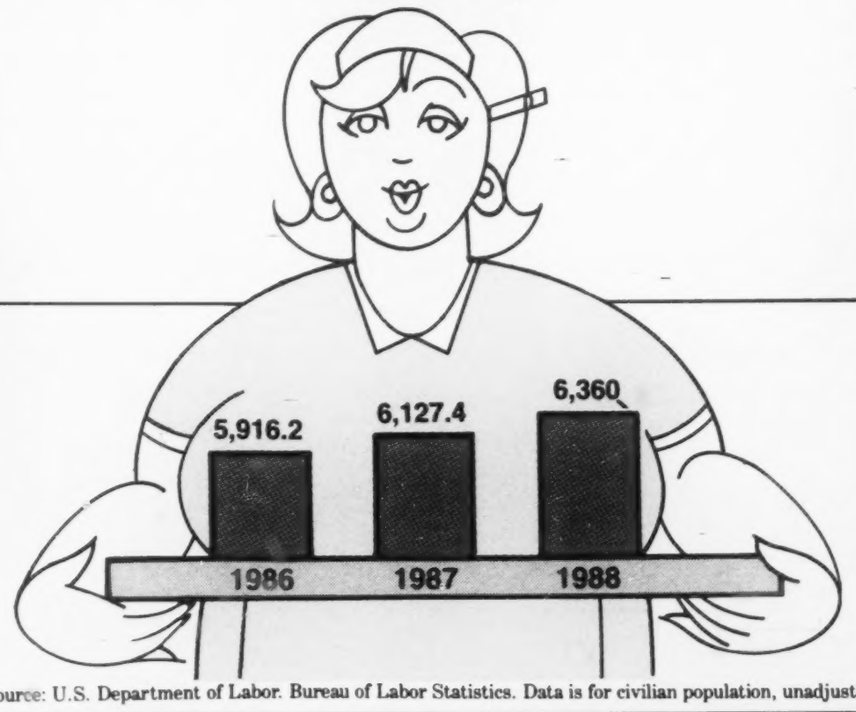
## FACT FILE

*A look at the statistics shaping the industry*

### EMPLOYMENT AT EATING AND DRINKING PLACES RISES

*Employment at the nation's restaurants and bars totaled nearly 6.4 million in 1988, outstripping the 1987 figure by 3.8 percent. Last year's rate of gain was higher by 0.2 percentage points than that of each of the two prior years.*

**(in thousands)**




Source: U.S. Department of Labor. Bureau of Labor Statistics. Data is for civilian population, unadjusted.

## NRN FINANCIAL DIGEST

### Famous to buy 11 Imasco properties

SCOTTSDALE, Ariz. — Famous Restaurants Inc. said it has signed a letter of intent to acquire 11 Casa Lupita restaurants from Imasco USA Inc., operator of the 3,100-unit Hardee's system.

Terms of the deal, which is scheduled to close in late this month or May, were not disclosed.

Famous, which operates and franchises 41 Garcia's Mexican restaurants and two Famous Fish Co. restaurants, said that if the deal closed, Famous would continue to operate nine of the new restaurants as Casa Lupitas and convert two — both in Seattle — to Garcia's. Four Garcia's are already in operation in Seattle.

The sale would leave Rocky Mount, N.C.-based Imasco USA — a subsidiary of Montreal-based Imasco Ltd. — with about six Casa Lupitas.

Imasco had earlier indicated that its Grisanti's restaurant division was on the block.

### General Mills up 24% in net income

ORLANDO, Fla. — A 63-percent year-to-year surge in restaurant operating profits buoyed General Mills' net income for the third quarter ended Feb. 26 to $82.3 million, bettering the year-ago watermark by 24 percent.

Sales at the conglomerate's Red Lobster and Olive Garden dinner houses surpassed the year-earlier figure by 33 percent. General Mills attributed the gains in part to having 105 more restaurants in operation than it did during the comparable period in fiscal 1987. On Feb. 26, General Mills had 610 dinner houses, including 20 opened during the prior three months.

In addition, sales at established Red Lobsters increased year-to-year by an average of 14 percent, and the per-unit mean for the Olive Garden division increased 6 percent, the company said.

General Mills, which is also one of the world's largest sellers of breakfast cereals, said its corporate revenues increased 17 percent for the quarter, to $1.45 billion, from year-ago figures.

### TCBY's profits climb 96% for 1st Q

LITTLE ROCK, Ark. — TCBY Enterprises Inc. said net income for its first quarter rose 96 percent, to $2.9 million, on a 74-percent year-to-year rise in revenue, to $23.4 million.

Sales from new units and a 16-percent rise in same-store sales drove the improvements, the company said. Systemwide sales increased 77 percent for the first quarter, to $46 million, it indicated.

TCBY added 65 stores during the quarter, bringing its total to 1,240. At the end of the prior year's first quarter, 874 frozen yogurt stores were open.

Favorable weather in December and January and increased brand awareness contributed to the strong same-store sales gains, the company said.

## FOOD PRICE OUTLOOK

# *Chilean fruit, apple scares ease*

Although the federal government has given the go-ahead to some **Chilean fruit** imports and has told consumers they have nothing to fear from **apples,** both scares have turned the produce market on its ear. **Fruit** prices are bouncing all over the lot.

Look for several weeks more before things settle. Some schools are still holding off putting apples back on the men. A few health- care institutions have also dropped apples and apple products. Right now, apples are a good buy in most areas, because movement slowed after a consumer advocacy indictment was picked up by a major TV program, "60 Minutes."

Not all Chilean fruit was given an all-clear signal, so prices on **peaches,** especially, are up. Look for imports to start picking up when the government figures out how to check for possible contamination. The Chilean government is working with ours to settle the problem quickly before more farmers go bankrupt.

**Lettuce** is doing its roller-coaster pricing ride about this time of the year. However, supplies are ample, with no major repeat of last year's white-fly infestation. Expect shipper FOB prices to run between below breakeven to about normal seasonal highs. No big surprises expected there . . . **Fresh broccoli** prices are still down, with shippers still threatening to plow under part of the crop to jack up their returns. But competition is still fierce.

**— Patt Patterson**

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 72

# TRENDS

## Does country music drive you to drink?

Customers drink faster when the songs are sadder. A University of Minneapolis researcher studied behavior in bars in Missoula, Mont., and Minneapolis and found people drinking faster to "wailing, lonesome, self-pitying music."

The report labels country and Western music "a prescription for trouble among people with little self-control." While the study found hard drinkers preferred slow, sad music and drink more when the songs of Willie Nelson and Waylon Jennings are played, it said rock music did not have the same effect.

## NY will put DWI controls in cars of drunk drivers

New York state has ordered another weapon against drunk drivers, mini-breathalyzers, which prevent cars from starting when the driver's blood-alcohol exceeds the legal limit. Beginning April 1, judges can order convicted drunk drivers to install the $500 alcohol-detecting devices in their cars.

The law carries strict penalties for drivers who try to circumvent the breathalyzer by allowing sober friends to breathe in it or by tampering with the device.

## One man's light beer is another's problem

According to surveys conducted for Miller Brewing, customers expect light beers to have about one-third fewer calories than do standard beers. Armed with such data, Miller is asking the Bureau of Alcohol, Tobacco & Firearms to reconsider its current proposal of a 20-percent difference.

Miller Lite is on the 33-percent-lighter mark. Other breweries that are heavier are fighting the proposal. No decision is expected until later this year.

## Vodka & Tonic favorite among top US drinks

Vodka and tonic, gin and tonic, and the margarita are the nation's top three drinks, according to research conducted for the House of Seagram. The survey, conducted in July 1988, shows the margarita taking advantage of increased summer demand to move up from sixth position in a January survey.

Gin and tonic, fourth in the winter survey, showing increased popularity among Eastern consumers, replaced rum and Coke, which slipped to seventh place. Scotch and water, seventh in the January survey, moved into fifth position and the vodka martini, eighth in the winter, was the fifth-most-called-for drink in the summer survey.

On a geographical basis, vodka and tonic is tops across the country, except in the South and South Central regions, where the margarita is No. 1. Sales of the vodka martini have increased in every region.

On a demographic basis, blacks' acceptance of scotch and water appears to have increased. Younger consumers, those under 35 years old, favor the Screwdriver and rum and Coke.

## While spirits slump, vodka continues strong

Vodka was the one category among spirits that showed a sales increase since Bar Management's 1987 survey. While the brown goods category slumped, 31 percent of establishments surveyed in June reported an increase in vodka sales.

Bar Management's survey of multiunit operations found the domestic leader, Smirnoff, to be the most favored label in premium wells. Approximately 45 percent of chain respondents reported serving the American brand as part of their quality pour program. Stolichnaya remained the favorite among imports, turning up in 18 percent of units reporting, followed by Absolut, which was reported as a well brand by 11 percent of respondents.

***BRANDS OF VODKA KEPT IN THE PREMIUM WELL***

| Brand Name | Total Chains | Dinner House | White Tablecloth | Family Rest./ Coffee Shop | Hotel/ Motel |
|---|---|---|---|---|---|
| Smirnoff | 45% | 54% | 56% | — | 36% |
| Stolichnaya | 18% | 23% | 11% | 50% | 14% |
| Absolut | 8% | 8% | 11% | — | 7% |
| Gordon's | 11% | 8% | — | — | 21% |
| Gilbey's | 3% | — | 11% | — | — |
| Finlandia | 5% | — | — | 50% | 7% |
| All Other Single Mentions | 8% | 8% | 11% | — | 7% |
| No Premium Brand Mentioned | 8% | 15% | — | — | 7% |

Note: Percentages exceed 100 percent owing to multiple responses.
Source: NRN research

# FOCUS | OPINION

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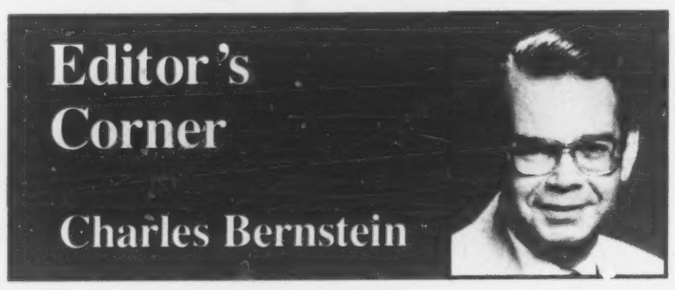
## The ultimate victim: The 'little guy'

With all the furor about pending passage of a minimum-wage bill, one essential fact seems to have been neglected: It is not the food-service chains and independent groups that will suffer so much, but rather the small independent, which will be forced to the wall or over the brink.

Mandated health benefits, parental-leave legislation, and plans to trim the business-meal tax deduction from 80 percent to 50 percent also would sock it to the independent restaurant.




Mounds of red-tape paperwork, the blatantly unfair FICA tax on tips, uncontrollable expenses, and rapidly shrinking profit margins are already killing the "little guy."

Severe casualties are mounting among individual restaurants that can't spread their costs among multiple units and are hard-hit by competitive pressures. Their escalating labor, food, and occupancy costs are creating a tremendous burden, and only those capable of generating annual sales in at least the $1 million range can reasonably hope to survive in major competitive areas.

The mortality rate in large cities has been horrendous. But if the current legislation passes, the burden will be much greater and more little guys will fall.

Some maintain that it doesn't matter. Yet these little guys, in the small towns as well as in the cities, are the lifeblood of the industry and represent at least half of the nation's 500,000 restaurants.

Presumably, larger operators could absorb a rise in the minimum wage and the enactment of mandatory health-care legislation. But the smaller ones would find the increased costs untenable.

With wage scales pushed up, independents would be forced to cut jobs and raise menu prices to keep pace with skyrocketing expenses. For many of these places, the results may well be lower customer counts and extinction.

The federal minimum wage has remained at $3.35 an hour for eight years, and a wage increase of some sort is inevitable and perhaps necessary. Still, it does not have to be the $1.30-an-hour rise, to $4.65, that the Senate Labor and Human Resources Committee has recommended be adopted in stages over a three-year period.

Such a package certainly should include provisions to maintain a $3.35 wage for less skilled workers who could be trained over a six-month or one-year period.

The Senate committee version appears likely to pass in some form in Congress, while President Bush and Labor Secretary Elizabeth Dole's plan to raise the minimum wage in small stages to only $4.25 an hour over a three-year period and to institute a $3.35-an-hour "training" wage appears doomed.

Yet the political reality that Congress might not be able to override a threatened Bush veto by a necessary two-thirds majority could bring about some sort of compromise on the Senate bill.

Meanwhile, it is overwhelmingly critical that the current 40-percent tip credit be raised in any minimum-wage legislation. It really should be 100 percent, in view of the vast inconsistencies in the FICA tax on tips. Realistically, a 50-percent or even 60 percent tip credit might pass.

Independents don't have to stand by and let all this happen. They can fight against the proposed legislation and explain to their congressmen how devastating the situation is.

As Tom Kershaw, owner of the Hampshire House restaurant in Boston, put it recently: "If we don't fight for the right to operate this business, before long we could wake up wondering what happened to fine dining. Independents have to get involved in the political process, or they [the government] will take our business away from us. We have to tell them what we can live with. We have the numbers — if we can mobilize them."

Independents are especially vulnerable because they tend to be individualists who find it difficult to take a united front on anything. In this case it is imperative that they stand together.

The Senate's minimum-wage proposal would increase the business exemption from a $362,500 volume to $500,000. But it is hard to imagine any restaurants surviving today with less than a $500,000 volume.

At the same time independents can least afford mandatory health-care or parental-leave benefits. If the government would turn its attention to helping provide desperately needed child-care facilities, that might somehow prove an acceptable substitute for the parental-leave benefits that may bankrupt small independents.

Finally, the Congressional Budget Office has drafted tentative plans to knock down the 80-percent business-meal tax deduction — which was chopped from 100 percent two years ago — to 50 percent. The CBO estimates this could yield as much as $3 billion in extra annual tax revenues. In the process, independents that rely on business people would be dealt a knockout blow again.

While larger food-service operators are the ones generally spearheading efforts against the reprehensible legislation, it is the little guy who would be drastically sliced down. And everyone — even senators and representatives — supposedly likes the little guy.

It must be impressed on Congress that much of the proposed legislation would ruin the same little guys that Congress says it is protecting. This is literally a life-or-death struggle for independent operators.

## LETTERS

### *Remember: Little things add up to great service*

Editor, NRN:

Your Editor's Corner column on service again was right on target.

Service! Service! Service! Service! Service! Service! Service! Service! Service!

Friendly, courteous, smiling, happy, "Give 'em the Pickle," refill your water, how are you, thanks again, I'll be back, speedy, personality, timely, outstanding, caring, would you like more coffee, professional, sharp, knowledgeable, how about dessert, tentative, willing, positive attitude, upbeat, efficient, how was dinner, satisfaction, loyal, I'll be happy to get that for you, hot food, pleasant, clean, responsive, alert, cooperative, sincere, customer is always right, never say "You're wrong," be creative, expedient, energetic, decisive, accurate, impeccable, nice, comforting, relaxing, lemon in the water, mints after every meal, go the extra mile, giving, standards are non-negotiable, be a right-now manager, move, effective, your every need is met, pleasing, cream or sugar, eager, favorable, hot and fresh, trusting, compassionate, honest, integrity, above board, wholesome.

**— Robert E. Farrell**
*chairman*
Newport Bay Restaurant
Portland, Ore.

### *Employment of disabled is rewarding for all*

Editor, NRN:

I was pleased to read your article on the employment of the disabled in our industry. Canteen Co. has long recognized this untapped employment resource. Just a few months ago, we received the "Employer of the Year" award from the National Rehabilitation Association for being the company that has done the most to provide employment opportunities for handicapped individuals on a national basis. Our experience with the disabled has been most salutary and rewarding.

**— Lawrence F. Wilkas**
*vice president*
Canteen Co.
Div. of TW Services Inc.
Chicago

### *'Outside' success stories can benefit the industry*

Editor, NRN:

Your Editor's Corner highlights more than just Wal-Mart as a model of employee motivation and service. It also demonstrates the merit of looking beyond the food-service industry to find success stories.

Our industry is too often myopic in the view that it takes of the universe. Indeed, it fails to study and learn about ideas in retailing and other service industries and even manufacturing, ideas that might be applicable to our own businesses.

Thanks, Charles, for recognizing that we all can benefit from a wider view of the business world.

**— Max Pine**
*president*
Restaurant Associates
New York, N.Y.

CS150-5
4/17/89

FOOD
*Operators scramble as chicken takes off*
Focus section follows page 22

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*...reamlines ...rogram*
Patt Patterson/Page 20

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Nation's
# Restaurant News®
*The Weekly Newspaper of the Food-Service Industry*

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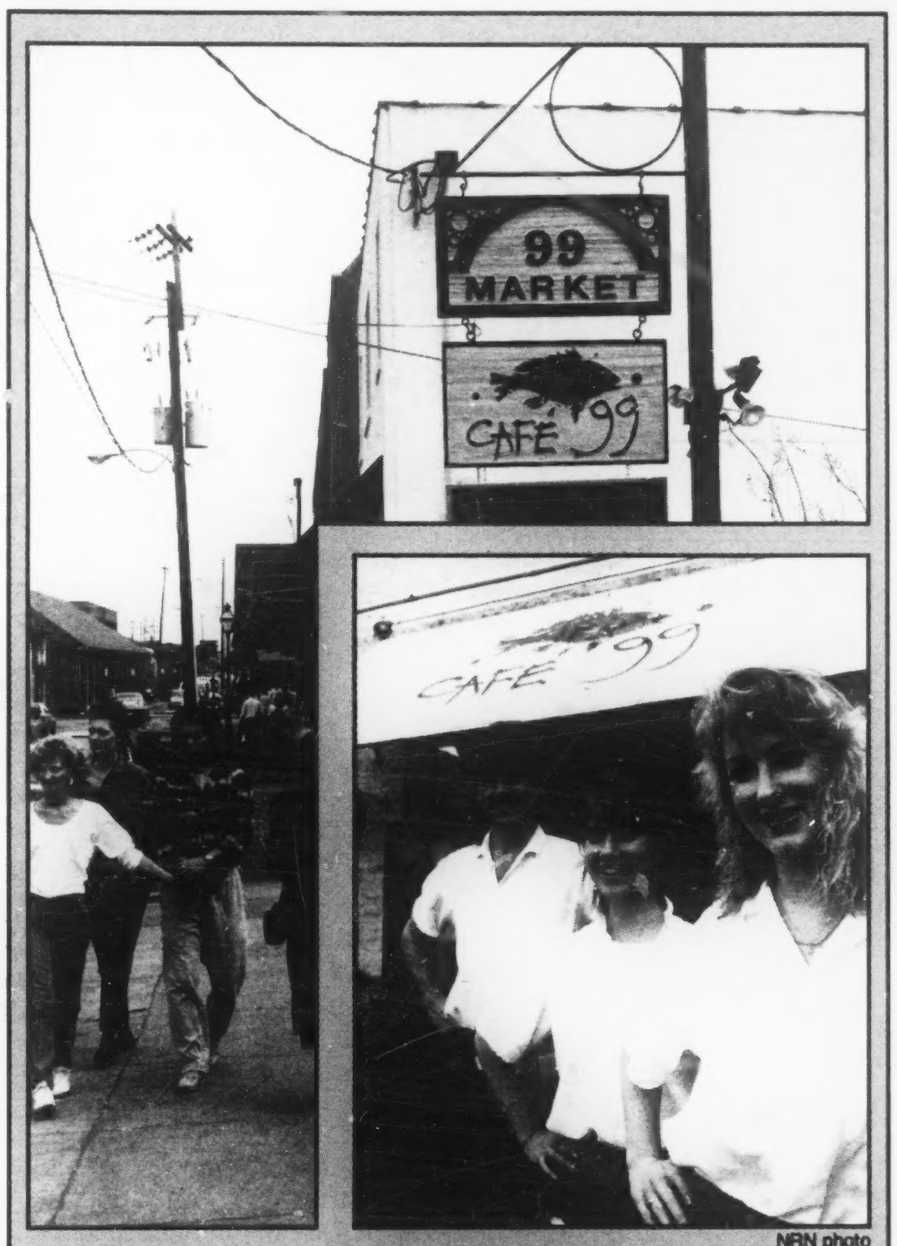


NRN photo

**A Cafe 99 sign on South Market Street in Charleston lists daily specials. Inset: Servers Doug Graham, left, Robin Barnett, and Ann McCarthy at Cafe 99.**

## *New concepts upgrade Charleston dining scene*

**By Jack Hayes**

CHARLESTON, S.C. — The flash of south Florida and the flavor of south Georgia are beginning to spice a new dining ambience and earthiness in this upscale coastal city, where tourists order almost half the restaurant meals.

Some of Charleston's key operators who built their fame on seafood and low-country cuisine, served in traditional dining rooms, are opting for radically contemporary decor and updated

*(See CHARLESTON, page 73)*

# New menu items target fickle consumer tastes

## *Hot competition blurs segment lines*

**By Peter Romeo**

Food-service operators are planning to bombard consumers with new menu items this spring and summer in an attempt to exploit the public's mounting hunger for variety.

The effort promises to further blur the lines between market segments, with chicken chains adding seafood items and poultry "burgers," hamburger specialists showcasing chicken sandwiches, and dessert merchants avidly courting calorie counters.

As many chains discovered in past menu-expansion binges, the danger is that a bill of fare can quickly outgrow the capabilities of a concept's kitchen. To minimize that risk, many players are employing a fly-fishing approach, casting products into the market, retracting them when the allure wears off, and then brandishing another lure.

For instance, Arby's said it would rely this summer on

*(See MENUS, page 73)*

**ON THE MENU**
**(A sampling of new or planned items)**

**Kentucky Fried Chicken:** chicken "burger," reformulated Extra-Crispy Fried Chicken, Spicy Extra Crispy.
**Hardee's:** grilled-chicken sandwich.
**Chili's:** grilled-tuna salad.
**White Castle:** fried clams
**Arby's:** "The Tank," a submarine sandwich of ham, roast beef, cheese, and garnishes; roasted chicken club sandwich; chicken salad.

Source: Company and research reports

# Restaurants ready 60-city fund-raiser to feed the needy

**By Milford Prewitt**

Hundreds of restaurants are expected to mobilize in a single night April 27 to raise money for food banks and other agencies engaged in the fight against hunger by participating in a nationwide food sampling and wine-tasting event.

SOS SHARE OUR STRENGTH
*... a nationwide network of restaurants fighting hunger*

Taste of the Nation, sponsored by Share Our Strength, a nationwide network of restaurants working to fight hunger, is the second annual attempt to rally restaurants in the war against impoverishment in America and abroad.

Besides Meals-On-Wheels — an industry-supported effort to feed the infirm

*(See TASTE, page 4)*

## FOOD WATCH

### *Five-star food fest*

SAN FRANCISCO — What do you feed 30 nationally recognized restaurateurs, their partners, employees, and companions when they get together for a good time?

If you're Larry Vito, executive chef of the Stanford Court Hotel, you'd serve:

- Warm Washington state-raised oysters with spinach-smoked squash butter sauce and a 1987 Chardonnay.
- Pie filled with saddle of rabbit, wild mushrooms, and leeks accompanied by a 1986 Pinot Noir.
- Charred tuna with Tobiko and a sparkling wine.
- Grilled breast of squab with a sauce of natural juices and foie gras paired with a Merlot, vintage 1984.
- A "savory" of goat cheese in phyllo envelope with sautéed apple, onions, and cracked walnuts.

For Kelly Mills, executive chef of the Four Sea-

*(See page 4)*

# Alaskan oil spill jeopardizes salmon supply

**By Joe Edwards**

In the wake of the horrendous oil spill in salmon-spawning waters on the Alaska coastline, food-service operators could face higher prices and heightened concern on the part of consumers already worried about food safety.

At Ray's Boathouse, a popular seafood house on Shilsho Bay 10 miles outside downtown Seattle, "there's a great deal of concern" among customers about the impact of perhaps the worst oil spill ever on the salmon catch, according to owner Wayne Ludvigsen.

The Exxon Valdez oil tanker ran aground in late March on a charted reef about 25 miles from Port Valdez, spilling at least 240,000 barrels of crude oil into the pristine waters of Prince William Sound. The huge spill — the biggest in U.S. history — is threatening the fishing and tourism industries and the environment.

Fishermen said the initial impact on their industry will be the devastation of this year's herring roe harvest. Most of the $13 million herring roe harvest goes to Japan, where it sells for as much as $80 a pound.

In late April and May, tens of millions of young pink salm-

*(See OIL SPILL, page 4)*

CHARLES BERNSTEIN: NO SUBSTITUTE FOR HANDS-ON OWNERS — Page F3

**SPEAK OUT ON FOOD SAFETY**

Consumers seem more alarmed than ever about the foods they eat. Everything from seafood to salad bars is under attack.

What should food-service operators do about it?

What should the government do?

What are *you* doing?

Nation's Restaurant News wants your viewpoint.

So call the NRN Hot Line, toll-free, 24 hours a day, all this week.

A recorded message will ask for your statement. If you wish, you can also leave your name, title, company, and phone number so that an NRN reporter can contact you to confirm your statement for attribution.

Watch for a full report on the Hot Line calls in an upcoming issue.

**NRN HOT LINE — 1 (800) 678-7711**

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Vol. 24, No. 15 April 10, 1989

## NEWS DIGEST

# Grand Met to cut 550 people from Burger King's payroll

MIAMI — Contradicting predictions of a rapid decentralization, Grand Metropolitan PLC said it would slash Burger King's payroll by almost one-third primarily through layoffs at the chain's field offices.

The company said it would lay off about 550 people, with only 100 of the axings to take place at the burger chain's headquarters here. Grand Met stressed that the home-office firings would effect "non-restaurant" personnel.

Grand Met, after acquiring a company, usually decentralizes its operations to streamline the decision-making process. The company, which acquired Burger King and the rest of Pillsbury Co. in January, was expected to follow that approach with its new restaurant chain.

About a year ago Pillsbury pruned Burger King's headquarters payroll by eliminating positions and relocating people to field offices. The chain has 32 offices in the United States alone.

# Suitor challenges DWG; second pursuer emerges

NEW YORK — The investment group here attempting to acquire DWG Corp., parent of the Arby's fast-food chain, said it would ask an Ohio court to overturn DWG's rejection of the suitor's $22-per-share takeover bid.

Meanwhile, a separate attempt to acquire Arby's and other DWG holdings is reportedly under way. An official of Dillon, Read & Co. told Dow Jones News Service that a client of his company is engaged in "casual" conversations with DWG about the purchase of Royal Crown, a subsidiary that includes Arby's.

Granada Investments, the New York concern seeking to buy all of DWG, has disclosed plans to shift its takeover battle into the courts of Ohio, where DWG was incorporated. In addition to challenging the rejection of its bid, Granada will seek to negate options that would enable DWG chairman Victor Posner to block the takeover, said Granada chairman Andrew Heine. Posner could wield the voting rights to 66 percent of DWG's total shares outstanding.

# Callender unveils plans for new Calif. restaurant

SANTA FE SPRINGS, Calif. — Donald Callender, founder of the Marie Callender's restaurant chain, has disclosed plans to build a 10,100-square-foot Mediterranean restaurant here called the Garlic Press.

The Redevelopment Agency of Santa Fe Springs, a town southeast of Los Angeles, agreed to sell Callender up to 40,000 square feet of land for $10 per square foot. The agency will also spend about $200,000 to remove two oil wells and install a methane gas barrier under the restaurant site at Heritage Corporate Center.

Callender, who sold Marie Callender's Pie Shops in 1986 for $81 million, previously revealed he intends to build a pasta restaurant in Moreno Valley, near Riverside, Calif.

# Congressman seeks law on seafood inspections

WASHINGTON — Contending that contaminated seafood causes almost a quarter of all food-borne diseases in the United States, a North Dakota legislator has asked Congress to mandate the inspection of every piece of fish and shellfish.

Rep. Byron Dorgan, a Republican, proposed that the Agriculture Department establish a "comprehensive, statistically sound" mandatory inspection program for "commercial processing of all freshwater and saltwater fish, shellfish, and their products which are used for human consumption."

Under the voluntary federal system now in use, only 20 percent of the fish consumed in this country is inspected, according to Dorgan. The limited check on United States-consumed seafood becomes particularly significant "as the importance of fish in the American diet increases," he said.

# IDQ buys stake in Staff One to gain new franchise vehicle

MINNEAPOLIS — International Dairy Queen said it has acquired a 60-percent stake in Staff One, a personnel service here that places job hunters in low-level office jobs. Terms were not disclosed.

In disclosing the diversification, IDQ said the 1990s would provide an "attractive opportunity" for franchising a concept like Staff One.

IDQ franchises the Dairy Queen chain.

# Jamco names Marks prexy, submits reorganization plan

LITTLETON, Colo. — Jamco Ltd., operator of the 115-unit Mr. Steak steak-house chain, said Donald Marks has assumed the president's title from Randall Pike, who remains chairman.

The appointment closely followed the filing of a plan to reorganize the company, which was granted protection from creditors under federal bankruptcy laws about 18 months ago. Pike has declined to detail the plan, noting that it has yet to be approved by a federal court.

Marks was executive vice president.

# Gorin to sweeten menu with low-cal ice cream

ATLANTA — Perceiving an opportunity in the calorie-conscious market, Gorin's Homemade, a regional sandwich and ice-cream operator, said it would introduce a 96-percent fat-free ice cream this summer.

"Some people have just abandoned frozen desserts, and they're the ones we want to reach," said Mark Kaplan, chief executive of the 30-unit chain.

# Wienerschnitzel adds dogs for springtime sales push

NEWPORT BEACH, Calif. — The 240-unit Wienerschnitzel fast-food chain has launched a five-item line of "Bigfoot" hot dogs that generated nearly half of all sales during limited market tests in Los Angeles.

Featuring 10-inch, 2.7-ounce wieners on 8-inch buns, the sandwiches range from a $1.39 mustard Bigfoot to a double-cheese and chili Bigfoot for $2.09.

A two-month-long introductory campaign begun April 1 calls Bigfoot a "legend in a bun." Advertising includes television commercials, radio ads, and point-of-sales promotions.

# Ryan's licensee agrees to develop crab houses

NEPTUNE, Fla. — Family Steak Houses of Florida, a Ryan's franchisee based here, said it plans to open and franchise Rustic Inn crab houses under a joint venture with Rustic Inn Management Corp.

Family Steak said it has already earmarked $1.3 million for three new Rustic Inns.

In disclosing the deal, the steak-house operator noted that it owns 50 percent of the joint venture, which holds national franchise rights to the Rustic Inn concept.

# Kettle agrees to purchase by top-level management

HOUSTON — The management of Kettle Restaurants has entered into an agreement to acquire the 201-unit coffee-shop chain for $7.8 million in cash and the assumption of $9.8 million in debt.

The agreement, which had been expected, ends the uncertainty that has clouded Kettle's future since a Florida concern called Rocyn presented a tender offer last year. That and other deals fell through for a variety of reasons.

The management's offer is contingent on obtaining financing. The group, led by Kettle chairman Danny Chambers consists of a cash offer of $6.50 per share. In addition, the group, known as KRA, has agreed to buy Kettle's debentures for $9.6 million.

FINANCIAL NEWS

# Recap usurps Shoney's profits

## *But store-level margins, sales improve*

**By Rajan Chaudhry**

NASHVILLE, Tenn. — Despite unit-level profit increases, interest expenses related to Shoney's Inc.'s 1988 recapitalization reduced the company's net income by $16.2 million for its first quarter ended Feb. 19.

Shoney's said net income fell 77 percent for the quarter, to $3 million, on a 15-percent year-to-year rise in revenues, to $242.4 million.

But year-to-year profits rose 53 percent before interest and taxes, the company said.

Shoney's operates and franchises Shoney's coffee shops, Captain D's seafood restaurants, and Lee's Famous Recipe Chicken restaurants as well as a group of specialty restaurants and the Shoney's Inn motel chain.

Although servicing debt is a drain on the company's cash flow, Shoney's improved operations are leaving it well-positioned to exceed earnings projections for this year and next, analysts asserted.

"[Shoney's has] made a distinct turnaround in sales momentum at the same-store level, and it's also made enormous progress on the margin side," said Laurie Lively, who tracks Shoney's for Oppenheimer & Co.

"All of that means that it's more than likely going to exceed the projections that it's made — particularly for fiscal '90. My earnings estimate for Shoney's is still 60 cents, but it could easily be conservative by 15 or 20 cents if interest rates stabilize."

Without the $25.7 million in interest expenses, Shoney's net income would have shown a 46-percent year-over-year increase for the February-ended quarter.

Comparable-store sales increased an average 5.1 percent — 2.9 percent after adjusting for menu-price increases — and pretax margins for the company's restaurant operations widened to 10.7 percent for the quarter from 8.2 percent in the first quarter of fiscal 1988.

The latest quarter also included a gain of $1.8 million from the leveraged buyout of the company's Restaurant Management Services Inc. division, a Shoney's spokesman said.

Shoney's continues to stay well ahead of schedule in paying down the $585 million in debt it incurred in the restructuring despite rising interest rates that are sure to affect its bottom line. Since the recap, the prime rate has rocketed to 11.5 percent from 8.5 percent.

At quarter's end, Shoney's had made $84.2 million in principal repayments, $62.2 million of which were prepayments. And it has fixed $225 million of debt that originally was being charged at a floating rate with another $22 million capped, a spokesman said.

The company has also proposed an offering of $175 million principal amount subordinated zero-coupon notes that would add about $50 million to its coffers for further prepayments. The offering would allow the company to receive a second 0.25-percent reduction in the interest rate on a major portion of its bank debt and to take substantial tax deductions on interest paid as well.

At year-end 1988, interest on the company's bank debt averaged 11.5 percent, said Taylor Henry Jr., Shoney's vice president of finance.

About $27 million of Shoney's debt repayments have come from the sale of marketable securities, $1.5 million from the sale of property, and $8.2 million through sale-leaseback agreements, a company spokesman said.

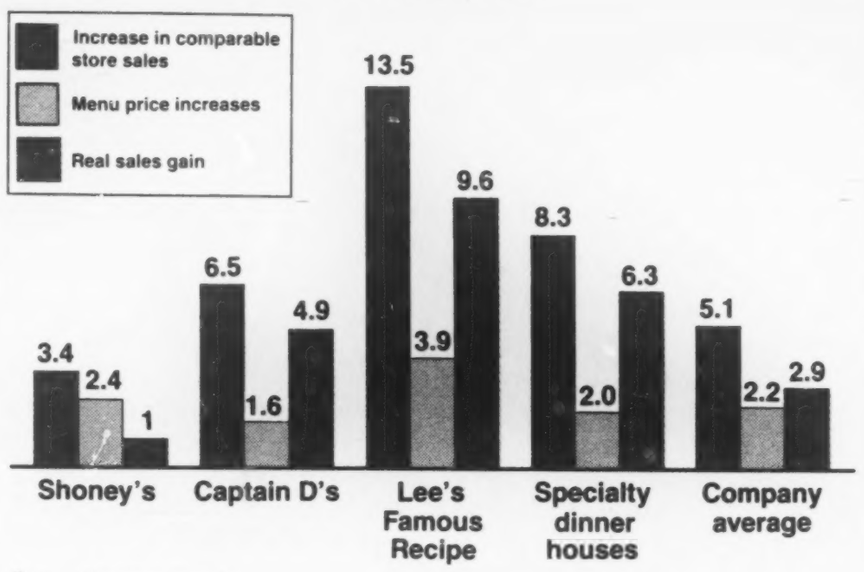
Last year Shoney's also trimmed inventory by $11.6 million and saved more than $2 million by eliminating 65 staff positions, Henry said.

At quarter's end, Shoney's had 1,543 restaurants in operation, 860 of which were franchised.

During the first quarter, Shoney's opened 22 restaurants, of which seven are company owned and 15 are franchised. The company also added four franchised Shoney's Inns.

**SHONEY'S INC. 1ST QUARTER SALES GAINS**

(in percentages)




Source: Company reports

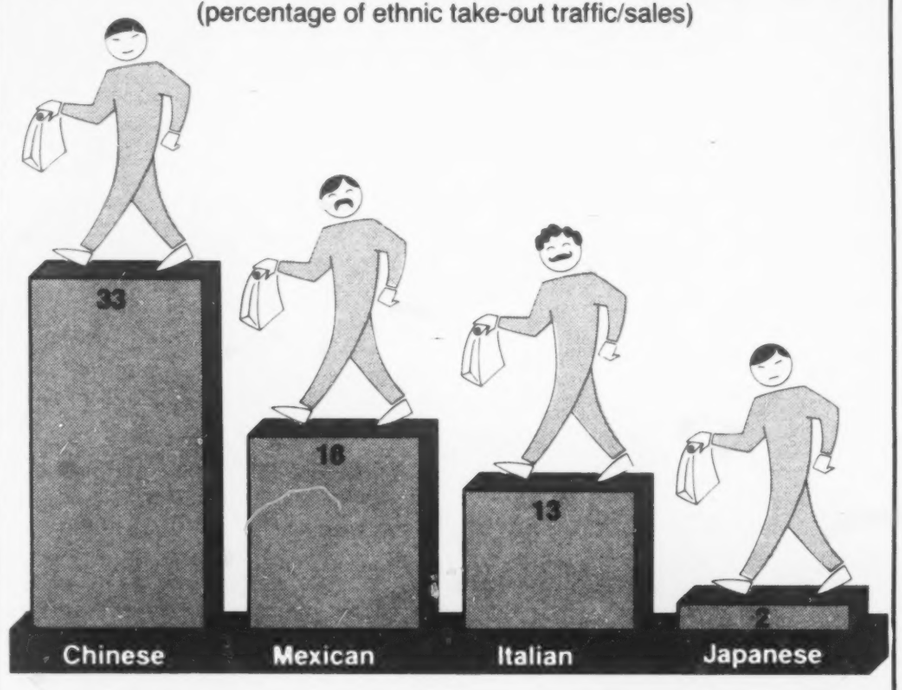
## FACT FILE

*A look at the statistics shaping the industry*

### CHINESE TOPS IN TAKE-OUT

*Consumers are more likely to order Chinese to go than they were to take out Mexican food, ciao down on Italian fare, or show a yen for Japanese cuisine.*

(percentage of ethnic take-out traffic/sales)




Source: GDR/Crest

## NRN FINANCIAL DIGEST

### Sbarro profits gain 46% for year

COMMACK, N.Y. — Sbarro Inc., operator of a chain of cafeteria-style Italian restaurants, said net income for the year ended Jan. 1 rose 46 percent, to $10.8 million, on a 35-percent increase in revenue, to $117.3 million, from the prior-year figure.

The gains reflect a 26-percent year-to-year increase in number of stores, to 318, and improvements in same-store sales, the company said.

Net income for the fourth quarter outstripped last year's profits by 54 percent, to $4.4 million, Sbarro said, while revenues for the quarter increased 37 percent, to $35.9 million.

### Sybra pulled from NASDAQ trading

ATLANTA — The stock of Sybra Inc., an Arby's franchisee with about 115 units, was removed from over-the-counter trading because of failure to meet the National Association of Securities Dealers requirement that the company have at least 300 shareholders, Sybra said.

The company noted that trading probably would not be resumed.

Meanwhile, Sybra also said that Drexel Burnham Lambert Inc. has agreed to sell back 318,000 Sybra shares to the company for $22 a share. Sybra said it would make a tender offer for the remaining 140,000 shares outstanding.

Sybra — whose majority stockholder is Valhi Inc., which holds about 83 percent of shares outstanding — called the failure to meet the listing requirement and the stock buyback "unrelated coincidences."

### Cucos boosts profits to $27,000

NEW ORLEANS — Cucos Inc. said profits increased to $27,399 for its second quarter from $1,535 in the year-ago period, while revenues rose 12 percent year to year, to $2.8 million.

Food and beverage sales for the quarter, which ended Jan. 15, increased almost 8 percent year to year, to $2.6 million, buoyed by the introduction of several new menu items, said Vincent J. Liuzza Jr., chairman and president of the 24-restaurant Mexican chain. Comparable-store sales also advanced at about an 8 percent rate over the prior year's quarter, the company said.

In addition, franchise fees and royalties more than doubled — to $216,000 —for the quarter, reflecting increases in both development fee revenue and royalties.

For the first half of 1989, Cucos said profits rose to $101,309 from a loss of $932,170 in the prior year's six months. The loss in the year-ago period resulted from a change in accounting for franchise development fee revenue, the company said.

Revenues for the January-ended six months increased more than 4 percent, to $6.6 million.

## FOOD PRICE OUTLOOK

# *Potato prices moving up*

Last summer's drought is being felt in **potato prices.** Supplies of raw potatoes are down 13 percent overall, although Idaho and Washington, the largest producers, had minimal drops. Biggest price increases are in **dehydrated potatoes. Frozen french fries** packers are being hit with higher costs for packaging. Expect price increases for fries.

Expect **egg prices** to settle a bit since Easter is over, but don't look for last year's prices. Producers have cut flocks in reaction to 1988's low prices, which were below breakeven for many. Higher feed prices have also pushed up egg production costs, and there's no sign of a letup soon.

Early March storms that hit **poultry** producers across the South did not do as much damage as had been feared. Prices have moved up on both **chicken** and **turkeys,** but observers said breeding operations were not disrupted badly, so hikes should be temporary.

**California's asparagus** supplies are strong, and prices have started their seasonal descent.

**Lettuce** producers in the lower San Joaquin Valley are starting to harvest, and lettuce prices are expected to remain low for several weeks, as the border desert areas start to wind down.

The **Strawberry** outlook is for one of the largest crops on record, especially in California, with prices well below last year's.

**Dried bean prices** continue to rise on heavy export demand. **Pintos** are moving up again, reaching toward record highs.

The **California almond** crop is in question. Sudden blooming might have been too great for adequate pollination by bees, with a short crop possible. Farmers expect to know for sure later this month.

**— Patt Patterson**

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 74

# FOCUS | OPINION

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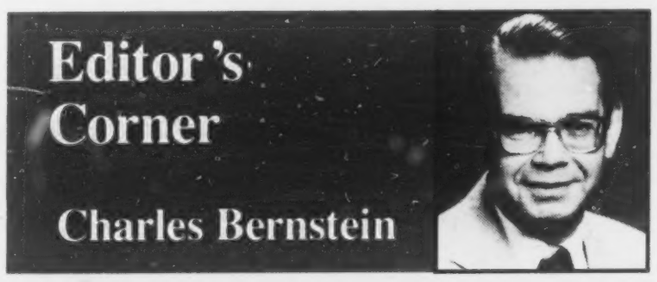
# No substitute for hands-on owners

In the past year reports have been circulating that top restaurants are for sale throughout New York City as pressures tighten in the fine-dining category and owners seek to cash in their value.

There always seems to be one critical qualification in these rumors: "If the price is right." The old saying is that anything is for sale at a high enough price, and that may apply here.




We have heard reports that Tom Margittai and Paul Kovi would sell the Four Seasons restaurant after 12 glorious years of climbing sales — which have now flattened out — if they could obtain $30 million or more for it.

Another report is that the "21" Club might again be sold — if a price in the $20 million to $25 million range were offered. This once-great restaurant has fallen on tough times following a major remodeling and realignment. It has lost old-time devoted customers and not gained enough of the younger crowd.

Marshall Cogan apparently would like to sell "21" if he could recoup his original investment. His group is believed to have paid between $19 million and $23 million for the original shares.

Joe Baum indicated he might sell Aurora, his French restaurant jewel — "if the price is right." He has been concentrating his main efforts on the Rainbow Room, which is thriving after he masterminded a two-year project restoring its original grandeur.

Still another operation figuring in selloff reports is Docks, which has an established West Side popularly priced seafood restaurant and has opened another on the an East Side, said to be generating sales at close to an $8 million-a-year pace. Barry Corwin and Howard Levine, co-owners, say they would sell if they could obtain "a high price."

Why haven't these restaurateurs been able to obtain the price they sought? The answers vary in individual cases, but fewer people are willing to take a chance. No longer are investors such as Cogan willing to gamble on a restaurant deal as a lifelong dream or hobby.

The hard-nosed business facts in New York City militate against these deals. And the risk is immense since volumes in the $10 million or $15 million range are often required to clear a reasonable profit.

Potential owners of fine-dining establishments in New York and other major cities are shying away as gigantic rental, labor, food, and insurance liability costs threaten the profit structures. It is getting to the point where only Murray and Irving Riese, who own large chunks of New York City real estate, can make these deals.

The pressure is best summed up by one beleaguered restaurateur who declared: "Restaurants are fast disappearing in New York City. You could put in a sweater store and make more money."

That is an exaggerated view, but it does dramatize the seriousness of the situation. Actually, this is a business that requires that an owner take a personal interest in the restaurant and greet the customers in person.

Owners like Tom Margittai, Paul Kovi, Joe Baum, Barry Corwin, and Howard Levine are indispensable to an operation. There is no substitute for hands-on management and hands-on ownership. We are lucky that these owners have not sold the restaurants mentioned.

Restaurants that once appeared so glamorous to potential owners no longer seem to be such attractive investments. In the long run this is a beneficial trend, since it weeds out those who see restaurants as a hobby rather than as a demanding business rewarding those who give their own blood, sweat, and tears.

## LETTERS

### *Right franchises can fly despite pitfalls in Japan*

Editor, NRN:

I was very interested in your series of articles on food service in Japan, particularly one titled "Japan no paradise for franchising America," for several reasons. I work for the WDI Group Inc., which the article mentioned. I lived and worked in Japan for one year after graduating from Michigan State University with a restaurant management degree, and continue to learn something about the Japanese restaurant industry every day.

Your ideas were very well presented, and you seemed to have gathered important information and opinions from experts in the field. I agree that having franchises or partnerships in other countries can be difficult. Not only does the culture differ, but laws and business practices may be different.

Also, real-estate cost, food cost, labor, taxes, and other factors may all affect the bottom line differently than they would in the United States. For instance, the average monthly cost for a restaurant such as Spago in Roppongi is a staggering $25,000 per month.

It's no wonder that it is difficult to recognize a profit; therefore, many Japanese restaurant owners are experts in controlling food and labor costs in order to at least break even. Not only is real estate extremely costly, but since Japan imports most of the food supply, the average cost for the same item in the United States is considerably higher.

The WDI Group, which employs me, has the ability to recognize restaurant concepts, such as the Hard Rock Cafe and Spago, that would be suited to the Japanese tastes. In the financial interests of both partners, the WDI Group has introduced those restaurants to Japan. The WDI Group made an official proposal to Wolfgang Puck to build a Tokyo Spago that would be equivalent to Spago in Los Angeles in all aspects.

Puck accepted the joint venture, and the establishment of the restaurant began. The WDI Group, in order to protect and enhance the reputation of Spago, attempted to duplicate or "clone" every aspect of the concept. The interior, quality of food, level of service, and menu are as close to the original Spago as they possibly could be.

The WDI Group also operates and owns 50 percent of the Hard Rock Cafe, one of 13 Hard Rock Cafes around the world. Before the Hard Rock Cafe was built, the WDI Group opened verbal negotiations with Peter Morton, who was interested in expanding to other geographical regions.

As the restaurant was being built, Peter Morton and Isaac Tigrett, former owner of Hard Rock PLC, legally dissolved their partnership. Each was given the right to use the Hard Rock trademark in certain geographical areas.

Isaac Tigrett had all the rights to the Far East. During the suit negotiations between the WDI Group and Peter Morton ended; however, the construction and opening of the restaurant continued while the WDI Group tried to start negotiations with Isaac Tigrett.

After about two years the partnership was consummated, and both parties now share in a highly profitable venture. The Tokyo Hard Rock Cafe received a share of the rock memorabilia that makes the Hard Rocks so special. Also, with the continued assistance from Hard Rock PLC, the Tokyo Hard Rock has increased sales every year since it opened.

As far as "inscrutable accounting practices" go, many Japanese firms do what smart businessmen in the United States do: They have management contracts. Therefore, the company will receive a certain percentage or a fixed amount of total sales and, if there is any net income, perhaps a small percentage of the profit.

Also, the system of accounting in Japan is very much the same as in the United States, and Japanese business people are ethical, sophisticated, and knowledgeable when it comes to doing business. Perhaps there are a few isolated cases of unethical business practices that take place between franchisees in foreign countries and franchisers, and they usually result in court action and dissolution of the franchise or partnership.

It may be of interest to your readers if you could perhaps do more research from the Japanese perspective. There are difficulties and complications on the other end of the scale also. For example, operators from the United States do not always understand why concepts that are successful in the United States may not be successful in Japan or why expected profits may not be realized.

I enjoy reading NRN and feel it is an important publication for the food-service industry. I hope you can continue your research on Japan, because the market here seems to be in a state of constant change and growth — especially since the Japanese population has the disposable income to satisfy their discriminating palates.

Tokyo could possibly become the place to watch for new trends and fads in the restaurant industry.

**— Tracy Furuichi**
*Public Relations Department*
WDI Group Inc.
Tokyo, Japan

# FOCUS | CHICKEN

Mother and daughter stop for a bite at Kentucky Fried Chicken, a family-oriented chain. Inset: Jack in the Box's new Grilled Chicken fillet sandwich.

# OPERATORS PECK FOR PROFITS

## *As chicken consumption takes off, both major players and newcomers are rolling out new, innovative products to capitalize on the growing trend*

By Rajan Chaudhry

With the popularity of chicken on the rise, chains are scrambling to add new chicken items to their menus and mounting aggressive marketing campaigns to support them.

And while the chicken boom is hatching increased profits for those crossing the road into the segment, traditional chicken chains are finding it tougher to scratch out a living among the new brood of rivals.

In the past year, Bojangles' closed 51 of its 71 company-owned stores stores at a cost of more than $18 million to parent company Horn & Hardart; Church's, the object of a "chicken tender" by rival Popeyes, closed more than 120 units and suffered losses of $14.5 million for the year; and Sis Corp., operator of the Sister's Chicken & Biscuits chain, filed for Chapter 11 protection from its creditors.

Even ruler of the roost Kentucky Fried Chicken has had its feathers ruffled by the new flock of competitors, which includes McDonald's, Wendy's, Arby's, Hardee's, White Castle, Jack in the Box, Old Spaghetti Warehouse, and Dairy Queen.

As a result, KFC, which claims a 46-percent share of the fast-food chicken market, said it now considers its primary competition to come from outside the chicken segment.

**Richard P. Bermingham, ceo of Collins, a sizable KFC franchisee.**

"We see our strongest competition coming from the mainstream quick-service restaurants, the hamburger and the pizza chains," says Richard Detwiler, Kentucky Fried Chicken spokesman.

KFC's latest marketing theme — "Cross the Road to Kentucky Fried Chicken" — is meant to establish it as an attractive option to other fast-food restaurants in the mind of consumers, Detwiler explains.

In 1988 KFC's U.S. systemwide sales grew 7 percent year-to-year, to $2.9 billion. Operating margins improved, and the number of units grew 3 percent, to 7,761, Detwiler says.

KFC is introducing a Chicken Fillet Burger — a breaded white-meat patty seasoned with KFC's blend of 11 herbs and spices — in an effort to develop its lunch business.

It is also looking to capitalize on the consumer demand for non-fried chicken by developing a char-broiled chicken-on-the-bone product and the proprietary broiling equipment that would fit its kitchens.

Other operations, including Hardee's, Arby's, Jack in the Box, and Carl's Jr., either have a non-fried chicken item in place or are rolling one out.

"Our research indicates that not only are consumers expressing a preference for more chicken in their diet," says Mo Iqbal, executive vice president of marketing for Jack in the Box, "but also they are expressing a preference for chicken that is prepared in a more healthful way, without skin and excess fat and grilled rather than fried."

San Diego-based Jack in the Box introduced a grilled chicken fillet sandwich, which sells for $2.79, to its more than 950 stores in February.

The skinless, boneless whole breast sandwich is served on a wheat bun with lettuce and two slices of tomato and is topped with honey mustard sauce and a slice of swiss cheese.

One year ago Jack in the Box introduced its Chicken Fajita Pita sandwich, $2.49, which represented about 9 percent of sales during its introduction, notes public-relations manager Durwin Long. Jack in the Box expects its new grilled chicken fillet to perform as strongly.

Hardee's, based in Rocky Mount, N.C., is rolling out a grilled chicken fillet sandwich. It will be introduced immediately into about two-thirds of Hardee's more than 3,000 company and franchised restaurants, according to public-relations director Jerry Singer.

In tests here, in Cincinnati, in Lexington, Ky., in Charleston, S.C., and in Tampa and Orlando, Fla., Hardee's sandwich accounted for more than 10 percent of sales, Singer explains.

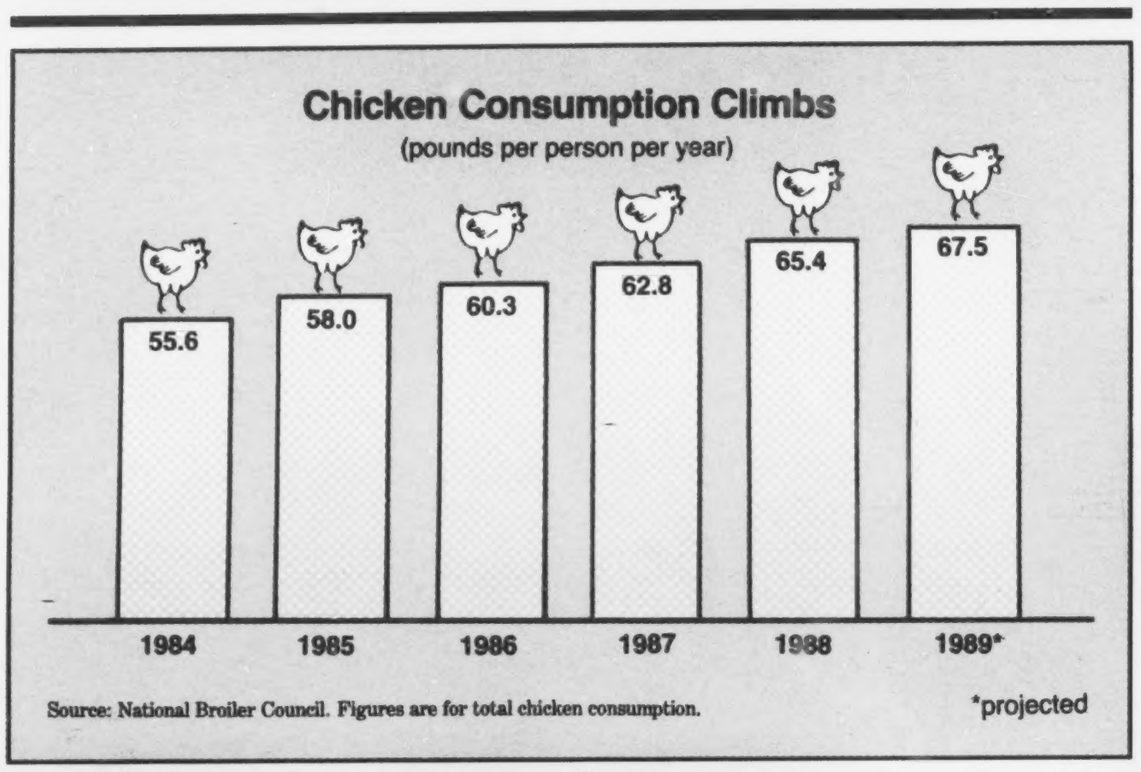
Beginning this month, Atlanta-based Arby's is making its roast-chicken club sandwich a mandatory offering in all stores, says Beth Touzet, Arby's product marketing manager. Stores were already required to carry its fried-chicken fillet sandwich.

Together with a new chicken cordon bleu sandwich, the chicken club and the fried-chicken fillet account for upward of 15 percent of sandwich sales at Arby's. All three sell in the $2.50-to-$3 range and beginning in February were being promoted together in a "Chicken choices at Arby's" marketing campaign.

Arby's is also testing other chicken

*(See **CHICKEN**, page F14)*

# FOCUS | CHICKEN




## CHICKEN TREND SOARS

*(Continued from page F12)*

sandwiches as well as a children's nuggets product, which is in test in Salt Lake City and Minneapolis, Touzet indicates.

"I think everybody in the fast-food industry is looking at different ways to use chicken because it's becoming such a popular menu item, Touzet says. "Like everybody else, we're trying to expand [our offering]."

Portland, Ore.-based Old Spaghetti Factory International has also joined the chicken fray.

The company, which operates 23 restaurants, is testing a baked chicken parmigiana dish in Portland, Seattle, and Denver, company officials note.

The boneless, breast-cut product, which comes with a side of spaghetti, sells for $6.10. In its best market, Seattle, it accounts for 7 percent of entrée sales, says Robert Barr, the company's director of marketing.

"We're committed to doing something with chicken," Barr explains. "We're just not sure what will fit in with our service and kitchen systems."

Recently, Columbus, Ohio-based White Castle introduced chicken nuggets to complement its breaded, breast-meat chicken sandwich, which sell for 65 cents to 70 cents, says spokeswoman Shirley Stapleton.

And Dublin, Ohio-based Wendy's recently rolled a promotional chicken Parmesan sandwich for the month of March.

A national poll of nearly 1,000 people, conducted by Wendy's, found that 42 percent of respondents eat chicken more than 10 times a month; 9 percent say they eat chicken 20 or 30 times each month; 55 percent prefer chicken prepared at home to be baked; and 42 percent prefer fried chicken when they are dining out.

At Lee's Famous Recipe Country Chicken, a 280-unit chain based in Nashville, Tenn., marketing director Harry Klapheke says his primary worry is not that newcomers will steal market share, but that they will force chicken prices up.

"Our main concern is the price of chicken," he says. "With everybody getting into it, what is this going to do to the supply side?"

Lee's is testing roasted chicken, Klapheke notes.

"We're adding it to appeal to the diet conscious," he explains. "We feel like there is a niche in the marketplace for that type of product."

Other than the addition of the roasted chicken, which requires an extra oven, Klapheke notes that Lee's has no plans to expand its menu or depart from its fried-chicken strategy.

KFC also plans to stick with its strength.

"We feel there's a lot of growth opportunity in fried products," Detwiler notes.

According to him, KFC's new lunch item, the Chicken Fillet Burger, is already in several markets. The sandwich sells for $1.79 in Louisville, Ky.

KFC began the push for lunch, which accounts for about 25 percent of sales, two years ago with the introduction of its Chicken Littles sandwiches, 1-ounce chicken patties on a bun.

But for at least one KFC franchisee the Chicken Littles were a flop.

Collins Foods International Inc., which operates 207 KFC franchises on the West Coast, introduced the Chicken Littles about a year and a half ago.

"If you lived in a cold climate and held them too long," jokes Richard P. Bermingham, Collins' president and chief executive, "you could use them as hockey pucks."

Despite a $42 million marketing kick-off campaign, the Chicken Littles never got off the ground, he says.

"Kentucky Fried Chicken," he adds, "needs a new product, and the West Coast needs a more healthful char-grilled product."

At the outset, Collins' KFC units were selling about 400 Littles a day and expected to raise that to 1,000 a day, he said.

"We never reached the goals that we had expected," Bermingham says. "It's still on the menu in most of our stores. But it hasn't received great customer acceptance."

Collins' KFC units now sell between 110 and 120 Littles per day, which account for about 3 percent of sales.

Bermingham notes that he expects the chicken burger, along with a soon-to-be-released reformulation of KFC's crispy chicken product, to help boost sales until the grilled product, which requires new equipment, can be introduced.

In Collins' Australian KFC units, he adds, the chicken burger accounts for 16 percent of sales. And crispy chicken represents 16 percent to 20 percent of Collins' overall KFC sales — up to 24 percent in its northern California markets.

Two types of crispy chicken are being reformulated, says Bermingham, one regular and one spicy. Both will be introduced by July, he said.

KFC's Detwiler says he was not aware of any plans to rework crispy chicken.

Collins has remodeled some 38 units in the past year and a half to include a drive-thru, bringing the number of units with drive thrus to about 165, Bermingham says. The remodelings are the single biggest boon to revenues, increasing sales by 47 percent.

For the third quarter ended April 30, Collins' KFC division posted a 6-percent increase in revenues, to $36.6 million, but its net income fell 10 percent, to $3.9 million.

A 27-percent increase in the minimum wage in California and Washington state and a 19-percent increase in chicken costs, to 74 cents per pound, were behind the profit drop, Bermingham says.

"At some point, it could make sense," he explains, for Collins to sell its domestic KFCs back to the franchisor and concentrate on its booming Sizzler and international divisions.

"People don't fall in love with fried food the way they once did," Bermingham says.

A Mrs. Winner's Chicken & Biscuits unit.

## Winners' new strategy sends feathers flying

**By Peter Romeo**

BRENTWOOD, Tenn. — Wounded by escalating competition in the fast-food chicken market, Mrs. Winner's Chicken & Biscuits, a well-known regional contender here, is ready to fly the coop.

The 146-unit fried-chicken chain's operator, Winners Corp., recently hired Prudential-Bache Securities to explore such "strategic alternatives" as selling the business. Meanwhile, Winners is already thinning its flock by selling 11 units to Kentucky Fried Chicken — at a net loss of $350,000.

"The fried-chicken-and-biscuit segment of the food-service industry is dramatically different today from when the company first entered it in 1979," says Winners president, Lonnie Stout. "Today our two principal competitors are McDonald's for the breakfast daypart and reimaged, upscale Kentucky Fried Chicken stores for lunch and dinner."

The competition, he said, is "intense"

Searching for a new niche, Mrs. Winner's experimented with food bars, a new line of Southern entrées, and the conversion of units into miniature cafeterias. But "to implement such changes and remain competitive with the national chains would require a very major capital commitment," Stout notes.

The company prefers to focus on its 50 franchised Wendy's restaurants, which have "shown steady improvement during the past 18 months," he said.

Sales at the hamburger outlets averaged $662,000 per unit during 1988, topping the prior-year tally by 7.1 percent, according to Winners.

In contrast, sales at company-run Mrs. Winner's units averaged $604,000, compared with a mean of $605,000 for the prior year. The intake dipped to $149,000 during the fourth quarter, for a year-to-year decline of 2.6 percent.

The "significantly weaker" performance resulted in a 57 percent year-to-year decline in operating income for the Mrs. Winner's division. The operation generated only $1.4 million for 1988. Operating income for the Wendy's division, on the other hand, rose 70.6 percent, to $2.3 million.

Overall, Winners reports a $2.8 million net loss for the year, compared with a loss of $7.3 million for 1987.

With fewer restaurants in operation during 1988, revenues declined to $106.2 million from $112 million, for a change of 5.3 percent.

"The company continues to evaluate strategic alternatives for the Mrs. Winner's division," Stout says.

The operator discloses that it will receive $5 million in cash for the 11 units that are being sold to Kentucky Fried Chicken. Closing expenses and "certain mortgage obligations" will pare the amount to $4 million, the company says, noting that it will record a loss of approximately $350,000 during 1989 for the transaction.

Winners operates 121 Mrs. Winner's units and holds the franchise rights to 24 others.

**Mrs. Winner's Chicken & Biscuits**
Brentwood, Tenn.
**Founded:** 1979
**Number of units:** 146 (25 franchised)
**Average sales per unit (company-operated):** $605,000
**Ownership:** Winners Corp., a 51-unit Wendy's franchisee

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FOOD

*Latest side dishes take on new look*

Focus section follows page 34

NON-COMMER

*Meal coding k... for in-flight f...*

See story on page 7

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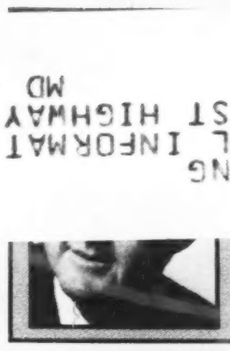

*...the right ...quipment*

Patt Patterson/Page 19

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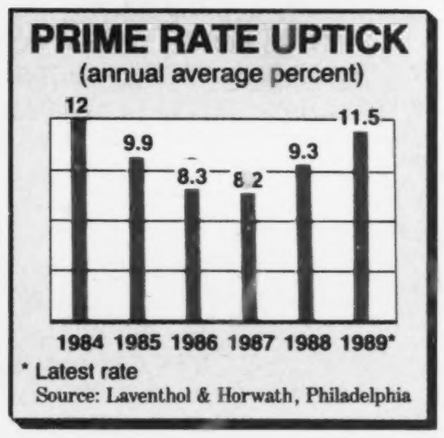
# Operators stung by rising interest rates




## *Funding plans periled; consumers to feel pinch*

By Rajan Chaudhry

Operators nationwide are feeling the sting of rising interest rates and searching for salves to soothe the pain.

While the higher cost of money has already scotched some plans — like that of Furr's-Bishops Cafeterias L.P. to recapitalize — and is forcing others, including highly leveraged Shoney's Inc. and Foodmaker Inc., to scramble to lighten debt loads and lock in rates, the worst may be ahead, according to economists and industry analysts.

"When interest rates rise," said Bob Goldin, a senior principal with the Chicago-based research firm Technomic Inc., "it tends to have a negative impact on new-unit construction because of higher financing costs. And, more important, the amount of money available to be spent at restaurants decreases. We've found that disposable personal income is the key variable in terms of restaurant industry spending."

"When you have rising interest rates, it has a whole domino effect," agreed Anthony Baiamonte, proprietor of Baiamonte's Italian Restaurant in Toms River, N.J., and president of the Garden State Restaurant Association, which represents more than 400 independent family res-

*(See **INTEREST**, page 4)*

# *POLLUTION SOLUTIONS?*

## *LA operators choke on rules to alleviate smog problems*

By Richard Martin

LOS ANGELES — Restaurateurs here fear a sweeping plan to control Southern California's infamous smog may strangle the local drive-thru industry, the nation's largest, and smother the area's thousands of char-broiler operations.

Regional air quality officials, acting to avoid federal intervention, have approved a stringent, 20-year smog-abatement project that may lead to a ban on new drive-thru restaurants.

The program, prompted by the Los Angeles area's chronic failure to meet federal clean-air standards, also seeks to force restaurants with char-broilers to install costly, high-maintenance filtration equipment to limit smoke and grease emissions.

The first of several rules affecting restaurants could be adopted in 1991, according to officials of the South Coast Air Quality Management Dis-

*(See **SMOG**, page 117)*

## *Minneapolis city council bans plastic take-out packaging*

By Carolyn Walkup

MINNEAPOLIS — Restaurateurs here are scrambling for alternative packaging for hot take-out foods following the city's ban on all non-biodegradable and non-recyclable plastic containers, the toughest law of its kind passed to date in the country.

Neighboring St. Paul's city council is expected to pass a nearly identical ordinance any day. And suburban governments are expected to follow in the coming months.

The ordinance, which takes effect in mid-1990, prohibits use of all plastic food containers except microwave dinner trays, plastic soda bottles, and milk jugs, which the city is expected to collect through its curbside recycling program.

Portland, Ore., and Suffolk County, a New York City suburb, have also banned some types of food packaging but on a more limited scale.

St. Paul councilman Bob Long, sponsor of the city's

*(See **PACKAGING**, page 117)*

FOOD WATCH

## *Fit for a sultan*

SEATTLE — Just what sort of menu does a chef concoct for a birthday dinner honoring a visiting sultan and would-be king? Caprial Pence, chef de cuisine at the award-winning Fullers restaurant in the Seattle Sheraton Hotel & Towers, offered her royal guest a taste of the Pacific Northwest.

The Sultan of Selangor, the leading contender to become king of Malaysia, dined at Fullers with his birthday-party entourage after a postoperative checkup by his Seattle

*(See **FOOD WATCH**, page 117)*

# *Kimco rolls in the dough with powerhouse Kuleto's*

By Alan Liddle

SAN FRANCISCO — Kimco Hotel Management probably couldn't print money much faster than it's collecting it at Kuleto's, the company's chic "California-Italian" restaurant off upscale, retail Union Square.

Kuleto

The 2.5-year-old, 175-seat restaurant and bar does an average of 665 covers a day. It is named after its designer, Pat Kuleto, a friend of Kimco owner Bill Kimpton.

Kuleto, who said he owns a "very small piece of the action," is known to entertain clients, friends, and reporters in a "power booth" at the junction of the bar and dining room.

Nancy Mootz, Kimco's vice president of operations, said Kuleto's reported $3.9 million in sales its first year and $4.2 million in sales for fiscal 1988, a year during which it was closed five weeks following a fire.

Mootz indicated that 1989 sales are being projected at $5 million but added that some of the actual monthly volumes recorded to date had exceeded projections.

*(See **KULETO'S**, page 4)*

NRN Photo

Kimco's Nancy Mootz, left, and Kuleto's chef, Robert Helstrom.

CHARLES BERNSTEIN: SMALLER CHAINS HOPELESSLY OUTGUNNED? — Page F3

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Vol. 23, No. 16 April 17, 1989

## NEWS DIGEST

# Minority-rights group sues Shoney's for discrimination

PENSACOLA, Fla. — A civil-rights group has filed a class action employment discrimination suit against Shoney's Inc., the Nashville, Tenn.-based coffee-shop operator, in U.S. District Court here.

The suit, brought by the NAACP Legal Defense and Educational Fund, alleges that Shoney's has maintained a policy of "classic illegal classwide disparate treatment" of blacks and "a hostile, racist work environment."

Shoney's denied the charges.

"We maintain as strongly as ever that the allegations do not represent the philosophy of Shoney's Inc.," the company said.

Despite its name, the Legal Defense and Educational Fund is not affiliated with the National Association for the Advancement of Colored People. It was founded by the NAACP in 1940.

# Wendy's guarantees refund in new advertising volley

DUBLIN, Ohio — In a radical new advertising tack, Wendy's is offering to reimburse customers if a Wendy's hamburger fails to uphold the chain's claim of having "the best burgers in the business."

The new "Victory" ad campaign supports that contention with testimonials from 400 Wendy's fans and the results of a two-year survey of 1,500 consumers. The results indicate that consumers prefer Wendy's signature product to McDonald's burgers by a 2-to-1 margin.

Included in the new flight of television commercials is a money-back guarantee from Wendy's founder, David Thomas. He promises a refund to any patron who finds Wendy's burger to be inferior to the signature item of other burger chains.

# Little Caesars to buy Mother's chain in Canada

FARMINGTON HILLS, Mich. — Little Caesars Enterprises has agreed to acquire Mother's, a 41-unit Canadian pizza-and-pasta chain, in a push to bolster its presence north of the border. The terms were not disclosed.

Caesars, which operates the Little Caesars Pizza chain, will retain Mother's as a second concept "at this time," a representative said.

Mother's, which has been in receivership under Canada's bankruptcy laws, is owned by M-Corp, a Montreal-based company that acquired the restaurant chain last year for $24 million.

# Grand Met sells Quik Wok, reorganizes BK's Distron

IRVING, Texas — Grand Metropolitan PLC has sold Quik Wok, its fast-food Chinese concept, to a group led by Chicago restaurateur and realtor Paul Lee. Terms were not disclosed.

The conglomerate also said it was splitting Distron, Burger King's distribution subsidiary, into two operations. One will handle purchasing for the burger chain, and the other will distribute the items, Grand Met said.

The Pillsbury Co., which was purchased by London-based Grand Met in January, acquired Quik Wok in 1985 in an unsuccessful bid to cash in on the takeout-and-delivery boom.

# Pizza Hut sues Caesars in 2-for-1 slogan battle

DETROIT — Pizza Hut has countersued Little Caesars Pizza in the U.S. District Court here, charging that its competitor had no right to trademark the ad slogan "Two Great Pizzas! One Low Price!"

The countersuit follows an action by a U.S. District Court that temporarily restrained Pizza Hut from using slogans found in Little Caesars advertisements. The Farmington Hills, Mich.-based Little Caesars sued Pizza Hut in El Paso, Texas, after it started an advertising campaign with the slogan "Two Great Pizzas! One Great Price!" and "Two Great Pizzas! One Fantastic Price."

Little Caesars declined to comment.

# Sardi's sold in $15M deal to Atlantic City developer

NEW YORK — An Atlantic City developer has agreed to acquire Sardi's, the landmark restaurant in the theater district here, for an estimated $7.8 million in stock and the assumption of $7.2 million in debt obligations.

The buyer, Broadway Holdings Inc., said it plans to use the Sardi's name for a hotel and casino to be built in Atlantic City. It also indicated that it would open Sardi's clones in other major U.S. cities.

The sellers, an investment group led by Broadway theater producer Harvey Klaris, acquired the 68-year-old show-biz hangout in 1986. The restaurant generates an annual operating profit of $700,000 on revenues of $7 million, according to Klaris' group.

# Friday's hires Doolin to lead expansion push

DALLAS — Wallace Doolin, a longtime veteran of the chain restaurant business, has joined TGI Friday's as senior vice president of development, underscoring the casual-theme operator's intent to expand rapidly.

Doolin's post had been vacant since Frank Snead left Friday's several months ago to join Country Kitchens, a fast-growing family restaurant chain owned by Carlson Cos. Carlson is also the principal stockholder of Friday's, which is in the midst of a drive to add 115 units by 1992 to its current tally of 140.

Before taking the job at Friday's, Doolin was president and chief executive of American Services Management Enterprises, an operator of franchised Flakey Jake's restaurants here. He helped launch that hamburger chain. Previously, he was a senior executive in W.R. Grace's fast-food group, where he worked with Friday's current president, Richard Rivera.

# BK tests self-serve device for placing customer orders

BOSTON — Burger King units in New England are testing a new labor-saving ordering system in which patrons punch their orders into a self-service terminal resembling an automatic teller machine.

The order is relayed directly to the kitchen. The patron pays for the food by pumping money into the device through a coin slot and bill feeder similar to those found on change machines.

The trial comes at a time when many fast feeders are searching for ways to reduce their labor requirements through automation.

# Byrum follows Metz in top job at Custom

MOBILE, Ala. — Joe Byrum has succeeded John Metz as president and chief executive of Morrison's Custom Management, the contract feeding division of Morrison Inc.

Metz, who founded the contract feeder, has resigned. He said he is retiring from food service after a 30-year career to pursue business interests outside the industry.

Byrum was previously executive vice president and chief operating officer. He joined the firm 23 years ago as a cafeteria manager.

# Baskin-Robbins acquires 400 units, franchise rights

GLENDALE, Calif. — Baskin-Robbins, the 3,400-unit ice-cream chain here, has purchased more than 400 Baskin-Robbins outlets and the licensing rights to 11 Western and Midwestern states from Chicago-based Dean Foods for an undisclosed amount.

James A. Earnhardt, president of Baskin-Robbins, said the acquisition was part of the company's strategy to unify franchise operations and marketing.

Under the terms of the deal, Dean Foods, a franchisee since 1963, will continue for an unspecified time to manufacture and distribute Baskin-Robbins products for the stores. They are in Idaho, Utah, Wyoming, Colorado, Nebraska, Kansas, Texas, New Mexico, Illinois, Iowa, and Indiana.

FINANCIAL NEWS

# Schlotzsky's converts to LP

By Rajan Chaudhry

AUSTIN, Texas — In 1988 the concerns facing Schlotzsky's were no different from those confronting any other franchising company — maximizing returns to investors, building its system, and creating the financial wherewithal to attract new capital.

The company's answer, however, was offbeat.

In December Schlotzsky's, which franchises a system of 240 sandwich shops, converted from a corporation to a limited partnership.

A limited partnership consists of a general partner or managing partner whose liability is not restricted — in this case, Schlotzsky's Inc. — as well as limited partners who have no right to participate in management but whose liability is confined to the amount of capital they contribute.

Initially, Schlotzsky's Inc. sold a 20-percent stake in its limited partnership — Schlotzsky's Franchising L.P. — for $2.4 million, according to chief financial officer Paul Simar. Schlotzsky's sold partnership units to 15 outside investors — nearly all of them Texans — while 18 key employees purchased a 25-percent stake. Schlotzsky's Inc. has since raised an additional $3 million through separate limited partnerships in San Antonio and Houston, Simar said.

In both San Antonio, where 10 restaurants were built and four are under construction, and Houston, where six new units have been added and five are being built, Schlotzsky's Inc. — the general partner — holds a 25-percent share of the restaurants.

**Schlotzsky's**
Austin, Texas
**Founded:** 1971
**Number of units:** 240
**Projected 1989 systemwide sales:** $60 million
**Average per-store sales:** $250,000
**Per-person average check:** $3.35
**Leadership:** John Wooley, president of Schlotzsky's Inc.
**Owner:** Schlotzsky's Franchising L.P.

Through similar partnerships, each with its own group of investors — and possibly through the acquisition of existing franchisees — Schlotzsky's intends to continue branching out, Simar said. He targeted Orlando, Fla., and Nashville, Tenn., as two prime possibilities for expansion.

The partnership's goal in each market it enters, Simar noted, is to build eight to 10 restaurants without any leverage. With several debt-free stores against which to borrow, the partnership hopes it will be able to finance further expansion within the market, he said.

And the partnerships offer extra incentives to investors, he indicated, because the company pays out excess cash from operations quarterly and because partners also avoid the double taxation of a corporate investment.

Unlike shareholders in a corporation — whose returns are first taxed as corporate earnings and then as dividends — investors in a limited partnership are taxed only once.

Diverting cash flow to investors clearly wouldn't be in the best interest of many chains, but because Schlotzsky's is essentially a franchising company, its capital isn't earmarked for building or remodeling.

"A franchising company does not really need to accumulate capital," Simar noted.

According to him, the savings and loan crisis — while a disaster for many in Texas — is providing new opportunities for restaurant operators.

With the troubled thrifts in new hands and free of many of their bad loans, they are now seeing the wisdom of diversifying beyond big oil and gas loans.

"They're actually competing like crazy for regular business loans," Simar explained. "They're really being aggressive again and going more to small businesses."

Shuttered S&Ls are also prime locations for site-hungry restaurateurs, Simar noted.

One bank closed a half-dozen branches in San Antonio a few weeks ago, he said, leaving openings in an area that Schlotzsky's has been struggling to crack.

Schlotzsky's was quick to cast an offer, Simar said, and the landlord was equally quick to bite.

"The landlord said: 'It's a shame. I've got two offers from S&Ls, one from a credit union, and one from a sandwich shop. And I have more faith that the sandwich shop is going to be here in five years than the financial institutions,'" Simar said.

A Schlotzsky's unit in Houston, Texas.

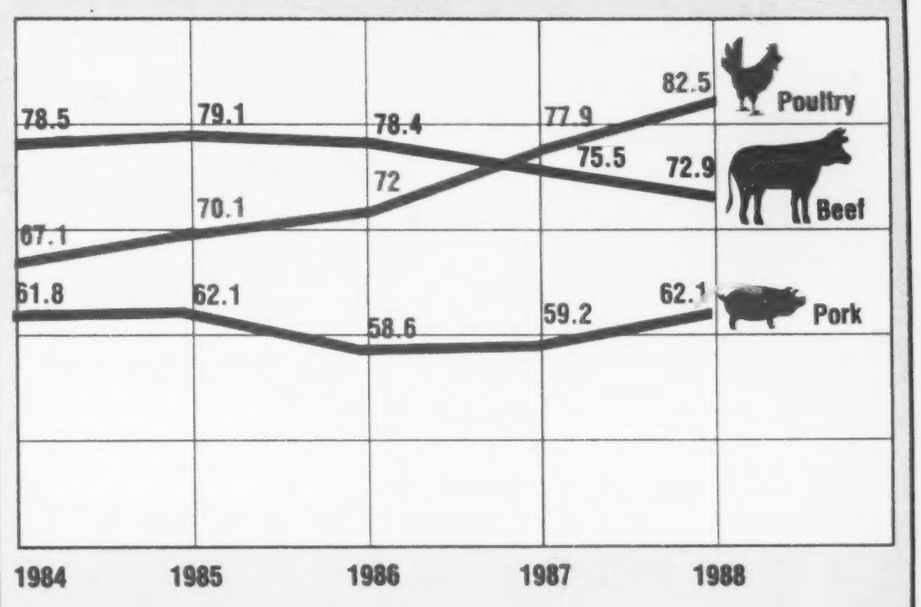
## FACT FILE

*A look at the statistics shaping the industry*

### POULTRY CONSUMPTION TAKES WING

*The average American is eating more chicken and less beef. In 1987, poultry consumption for the first time surpassed that of beef, while pork consumption climbed to 62.1 pounds per person.*

(pounds per capita)




Source: U.S. Department of Agriculture

## NRN FINANCIAL DIGEST

### Riese group acquires REGI unit

IRVINE, Calif. — An investor group led by the Riese Organization — a New York-based restaurant and real-estate giant — has completed its acquisition of the Gilbert/Robinson unit of The Restaurant Enterprises Group Inc.

The Gilbert/Robinson division comprises more than 100 restaurants, including Houlihan's, Darryl's, and Charley's Place concepts.

Final terms of the deal were not disclosed, but the Riese Organization has put the price at $200 million to $250 million.

### Southland loses $216M for year

DALLAS — Southland Corp., operator of the 7-Eleven convenience-store system, said high interest costs and various non-cash expenses stemming from its 1987 leveraged buyout resulted in a net loss of $216.2 million on revenue of $7.99 billion for the year ended Dec. 31.

The company reported a loss of $37 million on revenue of $1.97 billion for the final quarter of 1988.

Because of the LBO, the seven months ended July 31, 1987, are reported on a accounting basis different from that used for subsequent periods. Therefore, results from the two periods within 1987 cannot be added to achieve 1987 full-year financial results, and no full-year comparisons can be made between 1987 and 1988.

Southland operates 7,000 convenience units in the United States and Canada, five distribution centers, and six Southland Food Division plants. Area licensees operate almost 5,300 7-Eleven stores in the United States and abroad.

### Shoney's buys nine Elby's

COLUMBUS, Ohio — Shoney's Restaurants is breaching the Columbus market by converting nine area Elby's Family Restaurants to Shoney's franchises, Shoney's said.

The conversion of the Elby's restaurants — owned by Wheeling, W.Va.-based Boury Enterprises — is part of Shoney's drive to expand its system through franchising.

Nashville, Tenn.-based Shoney's Inc. operates seven Captain D's fast-food seafood restaurants here. In addition to the Shoney's and Captain D's chains, the company also operates and franchises Lee's Famous Recipe Chicken restaurants, Fifth Quarter Steak Houses, and Pargos as well as the Shoney's Inns motel chain.

Both Shoney's and Elby's started as Big Boy franchisees.

### Foodmaker files senior debt offering

SAN DIEGO — Foodmaker Inc., operator and franchisor of the Jack in the Box system and Chi-Chi's Mexican dinner houses, said it has filed a $150 million senior note offering with the Securities and Exchange Commission. The company said it would use the proceeds to reduce bank debt.

## FOOD PRICE OUTLOOK

# *Alaska oil spill damage over-hyped*

The Alaskan oil spill is not expected to affect most **fish** prices, but **crab** catches are expected to be disrupted in the area, with resulting higher prices. The **herring** season has been called off, with higher prices expected to be announced soon for **marinated herring.**

Nevertheless, other supply sources are available to herring packers.

Farmers surprised agricultural economists by telling the Agriculture Department they intend to plant less feed grains than everyone anticipated. Although acreages for **corn** and **soybeans** are up, the increase isn't much. This could mean that even if there is no drought, **meat** and **poultry** prices will stay high, since feed grain prices will not come down significantly.

One culprit is said to be the federal government's Conservation Reserve Program, which pays farmers for taking marginal land out of cultivation.

**Hogs** have been coming to slaughter in large quantities since the weather in the Midwest improved, and cash prices for **pork** have dropped as much as 15 to 20 cents a pound over peak first-quarter prices.

**Imported canned ham** prices seem to be coming down, with **Polish hams** leading the way. Although the price of **larger green hams** has dropped 20 percent from last year's, there has been little reduction in either **cured** or **canned domestic ham** pricing.

Despite continued strong production, **cheese** prices have continued on the high side. **Italian-style cheese** production is up from last year's, but stronger demand has kept prices up. Cheese prices have been running so high that the Agriculture Department has not been buying for its price support program, which has cut supplies for the agency's food donation programs, especially for schools.

— **Patt Patterson**

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 118

# FOCUS | OPINION

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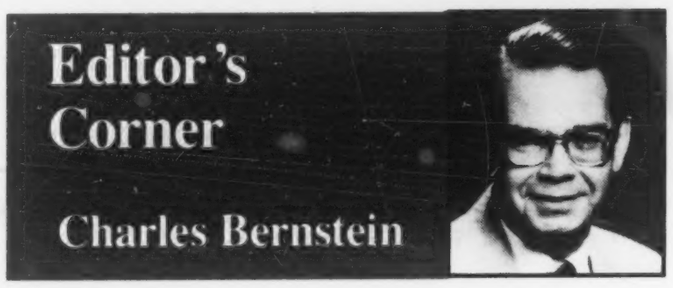
# Smaller chains hopelessly outgunned?

An inherent inequality threatens the future growth of regional chains and smaller restaurant groups — to the potential detriment of the industry.

As mergers, acquisitions, and consolidations proliferate, big guys inevitably are gaining more financial muscle to expand, remodel, try new concepts, or do whatever they want. But the little guy is again taking it on the chin, lacking the financial resources to keep growing at even a moderate pace.




Some see this situation as an actual plus for the little guy who is able to marshal the full resources of existing operations and in effect is forced to avoid the pitfalls of overexpansion. However, as was recently emphasized in this column, with higher operating costs, higher wages, and other threatened government regulations, the little guy is trapped. Nor does he have the capital to grow or to take any chances on new concepts.

Besides financial muscle, the critical promotional strength belongs to the big guys. And only the titans can afford the monies necessary to acquire prime sites, much less the volumes to sustain them. The broad-based Riese Organization of New York City has propelled itself into the restaurant limelight largely through its real-estate power.

Unfortunately, the price paid for remaining independent may simply be too much for many of the smaller operations in 1989 and 1990. They may be forced to succumb to the same trend that has seen so many smaller operations picked off by larger companies or investment houses.

The larger operations have been able to exercise multiple options and are poised to play a game of rolling out more and more units. That in itself poses dangers in an environment where saturation and flat traffic counts proliferate as the industry matures.

Chains such as Marie Callender's (which went downhill under the corporate-minded ownership of Ramada Inns and without the entrepreneurial flair of founder Don Callender), Nathans's, and Ponderosa are now controlled by investment groups, for better or for worse.

Al Copeland's takeover of Church's is typical of what can be expected. Operators are likely to be spending even more time fending off takeover efforts or launching their own acquisition bids.

Whatever the case, the big corporations seem to hold the trump cards. PepsiCo can keep starting more KFC, Pizza Hut, and Taco Bell units to its heart's content. General Mills has a huge advantage in continued rollouts of Red Lobster seafood houses and Olive Garden Italian dinner houses.

A dramatic example of the possible advantages of corporate financial, promotional, and real-estate power is that the Olive Garden has vastly outdistanced Grisanti's Italian dinner houses (a price notch higher) in number of units. General Mills remained committed to maximum expansion while Imasco did not and now seeks to sell Grisanti's.

Foodmaker might have an inside track with its Jack in the Box and Chi-Chi's units. TW Services, itself a takeover target from Coniston Partners, has the financial and promotional muscle to roll out more and more Denny's units.

Carlson Cos. is rapidly accelerating the expansion pace at its Country Kitchen family restaurants and hopes to do likewise with T.G.I. Friday's. Meanwhile, Chili's is determined to expand faster and to stretch the reach of its recently acquired six-unit Grandy's dinner-house chain, a notch above Chili's in price points.

McDonald's, Marriott, and Imasco's Hardee's — all with superior financial resources — are stepping up their expansion, too.

Having expounded on the poor little guy who gets continuously zonked by the government and outmuscled by larger competition, we nevertheless see plenty of hope for the so-called second- and third-tier regional chains. They are not able to expand nearly as fast, to test new concepts, to advertise nearly as much, or to acquire expensive real estate in the highest traffic locations.

But they often can and will outflank their larger competitors by being more attuned to the local market, more responsive to the customer, more skillful in acquiring less expensive sites such as gas stations or shuttered banks, and more selective in choosing sites.

Most of all, the little guy has the entrepreneurial spirit and flexibility to succeed despite all the obstacles. So before we shed too many tears of pity, let's recognize that some of the independents and smaller chains actually have the ability to offset the sheer weight of the corporate-minded chains' numbers.

Perhaps the availability of financial resources and the desire to keep expanding in all directions are temptations that can lead to destruction, if not properly controlled. Regardless of size, it is usually better to remain faithful to one's concept.

## LETTERS

### *Szathmary's excellence not confined to cooking*

Editor, NRN:

Your excellent Midwest editor Carolyn Walkup's story on chef Louis Szathmary was a fine summary of his great work in the field of cooking. However, to those of us who were around the area where his fine establishment was located, Louis had an additional dimension.

His Bakery, along with a few other lounges and little theaters, helped turn a nondescript area into a high-quality one. In fact, in the very beginning, the city was trying to revive that area.

During his growth period, Louis was always aware of neighborhood needs and interests. The community was filled with people who wanted to protest everything from street signs to faraway wars. Louis joined with them all the time. He never gave an inch, but he always wanted a better area.

Another aspect of his presence was his interest in local art, especially art theater. Many times Louis and his beautiful wife contributed time, energy, effort, and food to help make a little theater party work.

When Louis retires, the whole community should have a say in who comes in to operate his Bakery. After all, the community has a great stake in getting an adequate replacement for such a fine man.

I knew Louis so well because I covered all aspects of show biz for the community newspapers.

**— J.E. Quinlan**
*entertainment editor*
The Near North News
Chicago

### *Rewards for consultants achieved through clients*

Editor, NRN:

A thank you is in order for your Editor's Corner on consultants. I enjoy being "temporary help," and clients do like the fact that they don't have to carry us on their payroll to perform functions that may be short-term or intermittently ongoing.

The rewards of being a consultant are derived from dedicated clients who pick up the ball and "run with it," whether they show sales, customer count, check-average increases, better cost management or improve retention through care in human relations.

It is not the consultants who can achieve the results. We can only help evaluate, educate, focus, collaborate, and be there when the clients or their staff need us.

It is with the greatest respect that I say our clients make it happen; we help to get the ball rolling.

**— Denise Minchella**
Playa Del Rey, Calif.

### *Braille menus help prove that the industry cares*

Editor, NRN:

Regarding your article on The Hershey Philadelphia Hotel's braille menus in its restaurant:

We are a small 80-seat deli and restaurant in Palm Springs and for the past three years have had Braille menus. We have many sightless customers. They feel good when no one has to repeat the menu to them.

I would like to suggest that more restaurants and hotels make Braille menus available.

We contacted our local chapter of the Desert Blind and they were more than willing to print several Braille menus for us — and at no charge to us.

We're proud to be part of an industry that cares.

**— Esther Youngerman**
Gaiety Delicatessen — Restaurant Caterers
Palm Springs, Calif.

FOCUS | NRA

# Changing times breed broadening menus

## *NRA reports on evolving patterns from '82-'89*

**By Ken Frydman**

WASHINGTON — Responding to changing food consumption patterns during the last six years, restaurants are today offering customers a wider selection of appetizer and entrée items, cooking methods, and ethnic dishes than they did in 1982, according to a menu analysis conducted as part of the National Restaurant Association's Tableservice Restaurant Trends 1989.

The wide-ranging survey, which polled 455 table-service restaurants, also covered other key dining-out issues, such as nutrition concerns, reservations and no-shows, service charges, table-service practices, restaurant features, remodeling plans, and convenience services, like on-premises bakeries, catering, and children's menus. But the evolution of consumer food preferences is the study's meat and potatoes.

*The survey covered such dining-out issues as nutrition concerns, reservations and no-shows, service charges, tableservice practices, and convenience services. But the evolution of consumer food preferences is the study's meat-and-potatoes.*

"The growth of appetizers gives patrons the opportunity to sample a number of new foods and suggests that Americans still enjoy grazing," concluded the menu analysis, which compared 50 randomly selected 1982 restaurant menus with 50 of their 1988 counterparts.

The menu analysis was broken out into seven categories: appetizers, soups, entrées, salads, hamburgers and sandwiches, desserts, and beverages.

Things have changed considerably among entrée selections in the 1980s. Of those on the 1982 menus, 76 percent were seafood and fish, meat, and poultry. In 1988 Mexican entrées and pasta added another 6 percent to that mix.

"The influence of Cajun cuisine, exotic salads, and the blackened-grilling method used on fish, chicken, hamburgers, and steaks indicates that patrons want new eating experiences and are developing more sophisticated tastes," the study showed.

More entrées, 846, appeared on the 1988 menus than on the 1982 menus, 782. Although seafood and fish dishes accounted for the largest amount, 26 percent, of entrées, the figure represents a decline from 31 percent in 1982. Salmon entrées doubled from 6 percent to 12 percent, and swordfish was up from 4 percent to 10 percent, but sole entrées dipped from 23 percent to 6 percent, replaced in many cases by previously underutilized species like mahi mahi, monkfish, ono, orange roughy, sea bass, and sturgeon — which were absent from the 1982 menus.

The incidence of such meats as lamb, beef, pork, and veal entrées dropped from 35 percent of menus to 22 percent. And egg dishes, such as quiche, frittatas and omelets, tumbled from 8 percent of entrées to 2 percent.

However, Mexican entrées like seafood stew with chayote squash, chicken mole, and pork browned in natural juices grew more than fourfold from a low of 5 percent of entrées in 1982 to 22 percent in 1988. Pasta entrées also gained in popularity, from 5 percent to 12 percent of total entrées.

And, although poultry entrées remained stable over the years, grilled or charbroiled chicken dishes increased from 5 percent of poultry dishes to 14 percent.

Variety and expansion have been most evident among appetizers. While a total of 312 appetizers appeared on the surveyed menus in 1982, 444 popped up in 1988. Pizza, pasta, potato skins, meat-base appetizers, and Mexican-type starters were the big gainers over the last six years; fruits, pâtés, and vegetable appetizers declined.

Soups remained relatively constant, with 98 on the 1982 menus and 102 on the 1988 menus. As the presence of ethnic soups like gazpacho and Mexican fish chowder swelled from 2 percent to 13 percent of menus sampled, the percentage of soup du jours fell from 37 percent to 25 percent over the six-year period.

Overall, the number of salads on the menus increased from 192 to 254, with the biggest jump coming in the entrée salad subset — from 100 to 168. But side salads actually declined slightly, from 92 to 86.

As for "All-American" food, hamburgers and cheeseburgers retained their menu presence, while beef and pork sandwiches and hot dogs experienced a slight decline. Similar to entrée salads, the number of chicken, seafood, and fish sandwiches expanded to 6 percent and 3 percent, respectively.

Grilled chicken breast sandwiches now account for 4 percent of sandwiches, compared with less than 1 percent of all sandwiches in 1982.

Fancy concoctions helped the number of desserts grow from 249 to 265. Frozen desserts, like macadamia nut sundaes, hot fruit, sorbet, ice cream floats, banana splits, and white-chocolate ice cream with liqueur sauce, jumped by 11 percent, from 27 percent to 38 percent of menus. Pastries nearly doubled, from 5 percent to 9 percent, but cakes dipped from 26 percent to 16 percent.

Finally, in the beverage category, alcoholic beverages declined from the early to late '80s. In 1982, 22 of the 50 menus listed cocktails; in 1988, 13. House wines were down from 21 menus to 14, and beer declined from 16 to 11, but wine coolers were up from one to five, and Champagnes increased from three to 14.

Among other beverages, brewed coffee and hot tea remained stable, brewed decaffeinated coffee was up from no menus to 20, instant coffee dropped from 15 to three, milk was down from 24 to 20, milk shakes and ice-cream sodas gained ground from seven to 12, and non-alcoholic beers, wines and cocktails were seen on five of the 1988 menus vs. one in 1982.

Most notable, however, was the increase in fruit juices and lemonade and the tripling of bottled waters from five to 17 menus.

"Clearly, people are eating more healthily and drinking more healthily," concluded NRA spokesman Anne Papa.

NATIONAL RESTAURANT ASSOCIATION

**TABLE-SERVICE MENU TRENDS**
(percentage of menus surveyed using these items)

| | 1988 | 1982 |
|---|---|---|
| **Appetizers** | | |
| Seafood/fish | 31 | 32 |
| Vegetable | 20 | 28 |
| Mexican-type | 16 | 8 |
| Miscellaneous | 6 | 7 |
| Cheese | 6 | 5 |
| Chicken | 6 | 4 |
| Pasta | 5 | less than 1 |
| Meat (beef, pork, lamb, veal) | 5 | 1 |
| Pizza | 4 | less than 1 |
| Asian | 1 | less than 1 |
| Fruit | less than 1 | 9 |
| Patés | less than 1 | 4 |
| **Entrées** | | |
| Seafood/fish | 26 | 31 |
| Mexican-type | 22 | 5 |
| Meat | 22 | 35 |
| Pasta | 12 | 5 |
| Poultry | 11 | 10 |
| Diet plates | 4 | 2 |
| Combination meat and seafood | 3 | 2 |
| Egg dishes | 2 | 8 |
| Pizza | 2 | 0 |
| Miscellaneous | 2 | 2 |
| **Hamburgers and Sandwiches** | | |
| Cheeseburgers | 17 | 16 |
| Hamburgers | 15 | 14 |
| Beef sandwiches | 15 | 18 |
| Seafood/fish | 10 | 7 |
| Chicken | 9 | 3 |
| Pork | 7 | 11 |
| Combinations | 7 | 7 |
| Club sandwiches | 6 | 6 |
| Cheese, egg, vegetable | 6 | 6 |
| Turkey | 4 | 4 |
| Hot dogs | 2 | 3 |
| **Salads** | | |
| Side Salads | 34 | 48 |
| Entrée Salads | 66 | 52 |
| Types of Entrée Salads | | |
| Seafood/fish | 27 | 17 |
| Chicken, other poultry | 23 | 17 |
| Mexican-type | 15 | 10 |
| Chef's | 11 | 21 |
| Spinach | 7 | 9 |
| Other | 6 | 7 |
| Other ethnic | 5 | 7 |
| Fruit | 2 | 5 |
| Salad bars | 2 | 7 |
| **Dessert** | | |
| Frozen desserts | 38 | 27 |
| Pie | 20 | 18 |
| Cake | 16 | 26 |
| Pastry | 9 | 5 |
| Pudding, custard, mousse | 7 | 8 |
| Fruit-based desserts | 4 | 7 |
| Miscellaneous | 4 | 7 |
| Brownies/cookies | 2 | 2 |

Source: National Restaurant Association

C5150-5
4/27/89

**REGIONAL CHAINS**

***Savvy operators mine local markets***

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**NON-COMMERCIAL**

***3M feeding stack against competi***

See story on page 7

**FOOD**

***l their way le menus***

Florence Fabricant/Page 8

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Nation's
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*The Weekly Newspaper of the Food-Service Industry*

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## *Pano Karatassos: New casual breed perils fine dining*

By Jack Hayes

ATLANTA — A restaurateur who built his dinner-house group around the ultimate in formal and baroque — beginning with Pano's & Paul's here 10 years ago — is warning the nation's luxury operators that they must lighten up or die.

"Unless luxury restaurateurs figure out how to reach a broader segment of society, they're doomed," predicted Pano Karatassos, who also operates The Fish Market, 103 West, and Capriccio Ristorante, all high-end establishments.

Convinced that a hybrid class of top-drawer casual operators represents the biggest threat to his luxury niche, Karatassos is determined to beat them at their own game.

"Casual operators delivering higher quality are giving luxury restaurants a run for their money," said Karatassos, whose $17 million group should grow to more than $20 million when a sixth restaurant, a beef house called Chops, opens here this June. "They've

*(See **LUXURY**, page 91)*

**Van Maele mulls life in America**
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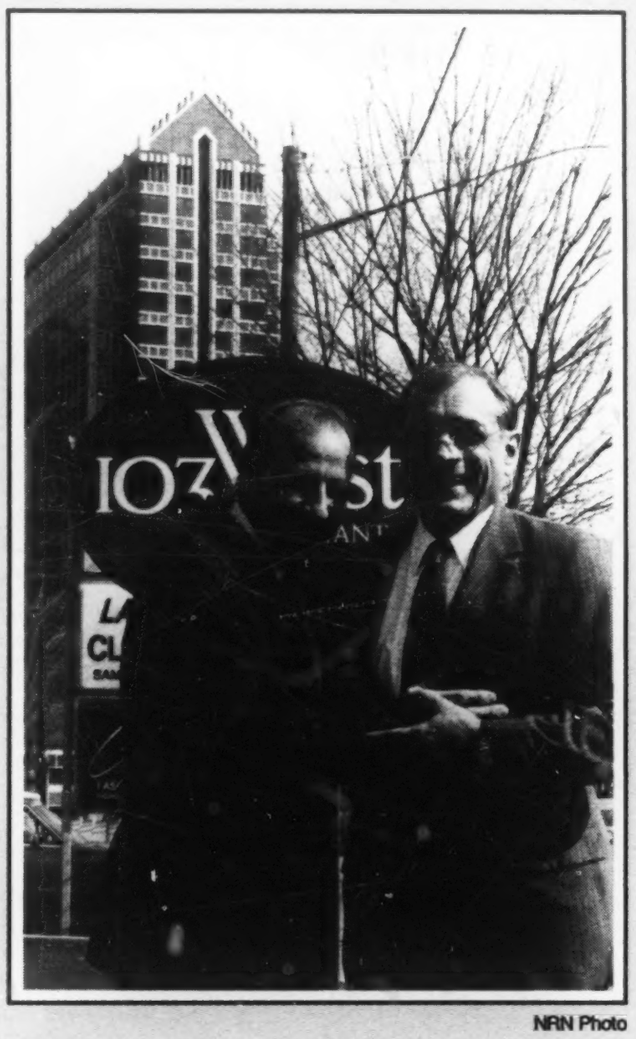
* * *

**Chops to feature dry-aged meats**
**Page 91**



NRN Photo

**103 West gm Antonio Sedran, left, and Pano Karatassos in front of Buckhead Plaza.**

## Senate approves $4.55 wage hike

### *Bush likely to veto bill*

By Ken Rankin

WASHINGTON — The Senate has approved legislation to boost the minimum wage to $4.55 in a move that appears likely to trigger a veto by President Bush.

The bill closely parallels an earlier House-passed measure calling for three 30-cent-per-hour increases in the current $3.35 wage floor, beginning next Oct. 1.

Like the House version, the final Senate bill also contains a watered-down version of the subminimum training wage supported by food-service industry groups, an increase in the federal tip credit from 40 percent to 50 percent, and an expanded small-business provision exempting from the national minimum wage all employers grossing less than $500,000 annually.

Senate advocates cited those pro-business provisions as evidence that the final version is a true compromise.

Originally, congressional Democrats led by Senate Labor Committee chairman Ed-

*(See **WAGE**, page 91)*

**SHOULD BUSH VETO THE MINIMUM WAGE?**

To make your voice heard, call the Nation's Restaurant News Hot Line, toll-free, 24 hours a day all this week.

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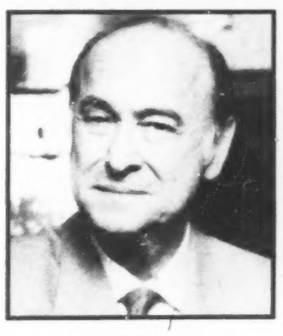

**Joe Baum**

## Baum named MUFSO Pioneer of the Year

MUFSO '89

Joe Baum, the creator of a stunning array of food-service concepts spanning three decades, has been named Nation's Restaurant News' 1989 Multi-Unit Food Service Operators Pioneer of the Year.

Baum, who is a partner with Michael Whiteman in a leading food-service consulting firm here, led the redesign of the Rainbow Room, the constantly sold-out restaurant that he now operates. He also operates Aurora, a French restaurant. Currently he is helping to launch restaurants at the World Financial Center and is refashioning the Princeton Club's food-service facilities.

Baum, the guiding genius of Restaurant Associates in the 1950s and 1960s, created such innovative concepts as The Newarker, The Four Seasons, The Brasserie, and La Fonda del

*(See **BAUM**, page 91)*

## Educator Greenaway dies at 77

By Charles Bernstein

MARSHALL, Mich. — Donald Greenaway, a 10-year staff chief of the National Restaurant Association and a renowned educator in hospitality management, died of a heart attack earlier this month, two weeks before his 78th birthday.

In the last 17 years, he endured three triple-bypass operations, severe diabetes, and other medical problems but persevered to continue as the industry's leading educator.

**Greenaway**

Greenaway was executive vice president and staff chief of the NRA from 1958 to 1968, when he was succeeded by Richard Brown. Greenaway mapped the first five-year plans for the NRA board and was a pioneer in promoting the association.

But it was as an educator that he made his lasting mark. A 1934 graduate of Michigan State University's School of Hotel, Restaurant, and Institutional Management, he was the school's director from 1951 to 1958, a period that many still regard as the peak of that school's prestige and achievement.

Greenaway was associate dean and the driving force of the University of Houston's

*(See **EDUCATOR**, page 4)*

**FOOD WATCH**

### *Asparagus stalks spring menus*

NEW YORK — If it's springtime, it must be time for asparagus. Cafe Suisse in the Drake hotel is hosting its second annual asparagus promotion and offering 11 special dishes, including a chilled cream of white asparagus ($5), green asparagus soup with tomato and chicken dumplings ($5), egg linguine with asparagus ($15.50), veal roulade filled with asparagus ($19.50), and asparagus vol au vent with baby shrimp and mussels (appetizer, $8.50; entrée, $16.50 ).

And for dessert: white asparagus parfait on green asparagus sauce, or asparagus chip cookies.

— Ken Frydman

CHARLES BERNSTEIN: DON'T STIFLE THE UNIT MANAGER — F3

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Vol. 23, No. 17 April 24, 1989

# NEWS DIGEST

## TW says new suitors emerge to rival Coniston Partners

NEW YORK — TW Services, operator of Canteen Corp., Denny's, and Quincy's, said several companies have joined Coniston Partners in expressing an interest in acquiring the food-service behemoth.

Coniston Partners, meanwhile, has indicated that it might sweeten its $29-per-share bid for TW, which has steadfastly resisted Coniston's advances.

TW did not identify the other suitors.

## DWG's pursuer files suit in new acquisition push

CLEVELAND, Ohio — The New York investor seeking to acquire Arby's parent, DWG Corp., has filed a lawsuit seeking to override DWG's resistance to the $22-per-share bid.

The suit asks a U.S. District Court here to appoint an independent trustee to evaluate the bid, which DWG's board has rejected. In addition, the plaintiff, Granada Investments, requested that DWG's shareholders be convened to vote on the offer.

DWG declined to comment.

## Health-inspection sting nabs 17 NY restaurateurs

NEW YORK — Undercover investigators have nabbed 17 restaurant operators here for allegedly attemping to bribe city health inspectors.

The Department of Investigation warned that more operators are likely to be collared as the investigation continues.

City officials have been seeking since September to rid the health-inspection process of corruption. Earlier this year 46 city sanitation inspectors were convicted on federal charges of shaking down restaurants.

## SEC probes Bombay Palace; company re-estimates loss

NEW YORK — The Securities and Exchange Commission is investigating certain transactions involving Bombay Palace Restaurants, operator of the Bombay Palace and Beefsteak Charlie's dinner-house chains.

Bombay said the probe is focused on the company's acquisition of Lifestyle Restaurants, the former parent of Beefsteak Charlie's.

Meanwhile, Bombay has warned investors that its losses for the year ended Dec. 25 will "substantially" exceed the loss of $5.9 million posted for fiscal 1987, and that it has defaulted on certain debenture agreements. It attributed the defaults in part to a failure to pay certain taxes and file reports on a timely basis, adding that the company has maintained its interest-payment schedule.

## Wholesale food prices climb 7.5 percent in March

WASHINGTON — Wholesale food prices advanced at a 7.5-percent year-over-year rate in March, the highest since 1980, according to the U.S. Labor Department's Producer Price Index for finished consumer foods.

The year-to-year unadjusted rate of gain for poultry prices was among the most severe, with eggs cracking 70 percent; processed turkeys, 35 percent; and processed young chickens, 28 percent. Prices of fresh and dried vegetables advanced at a 26-percent clip, while beef and veal prices increased at a 10-percent rate.

Price losers included milled rice, down 20 percent; pasta, 5.4 percent; and fresh fruits, 0.4 percent.

## *Reagan to speak at NRA Show*

Reagan

CHICAGO — In a dramatic late development, Ronald Reagan has accepted the National Restaurant Association's invitation to be the keynote speaker launching the NRA's annual show here Sunday afternoon, May 21.

The two-term president, who resides in Los Angeles and has been working on his memoirs since he left the White House Jan. 20, has agreed to speak for 30 minutes and answer direct questions from the audience for at least 30 minutes.

This apparently would be Reagan's first public speech outside his home West Coast area since January. He previously was quoted as saying he would not accept any speaking engagements outside California and adjacent states.

The terms of the deal with the NRA are not known. But Reagan's previously disclosed conditions for any public speaking appearance were $65,000 plus expenses for a private jet to the site.

**— Charles Bernstein**

## Hartz exits Chapter 11 through sale to investors

HOUSTON — A transplanted holding company has acquired the 51-unit Hartz fried-chicken chain here for an undisclosed amount, bringing the restaurant operator out of Chapter 11.

The buyer, AJP Enterprises Inc., was formed five years ago for the purpose of investing in or acquiring an operating company. The concern, which is headed by Houston businessman A.W. Dugan, has relocated here from Spokane, Wash., because of the acquisition.

Milton Lambert, formerly vice president of finance for Hartzog Inc., serves as president of Hartz Chicken.

Hartz, which posted systemwide sales of $25 million for fiscal 1988, has been operating under bankruptcy protection since December 1985, Lambert said.

## Trans/Pacific sells units to hasten expansion pace

IRVINE, Calif. — Trans/Pacific Restaurants Inc. has sold nine Jolly Roger full-service restaurants in Southern California to Marriott Corp. to help pay off debt remaining from a 1986 leveraged buyout. Terms were not disclosed.

Marriott said it would convert the outlets into units of its Allie's buffet chain.

The deal would leave Trans/Pacific with 47 Jolly Roger and Monterey Bay Canners restaurants in California and Hawaii. Trans/Pacific president Ronald Higgins said the sale would enable the company to resume expansion sooner than had been planned after the management-led buyout.

## Sizzler licensee buys 12 more Chicago units

CHICAGO — QSC Management, an owner of 12 Sizzlers here, has unified the Sizzler chain's Chicago-area franchise operations by purchasing 12 Sizzlers from Morgan's Foods, an operator based in Cleveland.

Meanwhile, QSC president Tony Basile confirmed that his company has begun talks with Benson/Landberg Associates, the New York-based investment firm that recently gained control of the 30-unit Nathan's hot-dog chain. Neither company would comment on the conferences.

Details of the Morgan's deal were not disclosed. The transaction gives QSC rights to Sizzler's entire Chicago market and makes the operator Sizzler's third-largest franchisee.

FINANCIAL NEWS

# Restaurant and bar sales increase 9.9% in March

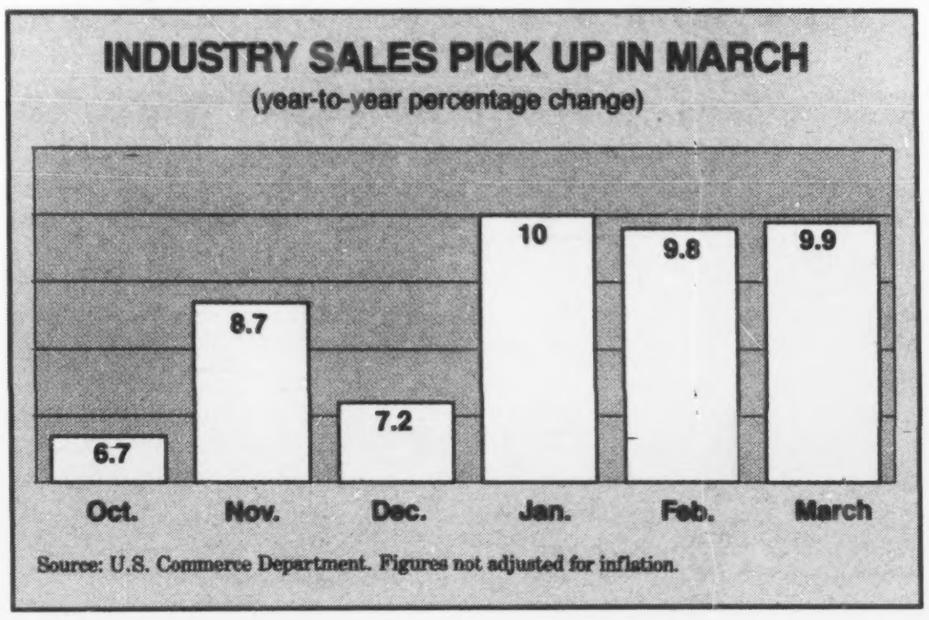
By Rajan Chaudhry

WASHINGTON — Although rising interest rates and flagging consumer confidence took their toll on construction and auto sales in March, the nation's restaurants and bars flirted with double-digit sales growth for the third consecutive month.

Sales at eating and drinking places grew at a 9.9-year-over-year rate in March, closing out the first quarter midway between their January rate of 10 percent and their February rate of 9.8 percent, according to the U.S. Commerce Department.

"Right now the economy is strong, and unemployment is relatively low, so disposable income is higher," said Richard Conti, who tracks the restaurant industry for Laventhol & Horwath. "But everybody's guess is what's going to happen with inflation.

"If inflation goes up, that could create an economic spiral that could affect everybody. Real disposable income would go down, and unemployment could increase."




So far, consumer spending has remained healthy, agreed Helena Openshaw of Value Line Inc.

Although the industry is experiencing some real sales gains, she noted, menu-price inflation is up by more than 4 percent and the government sales figures are offset somewhat by the greater number of units industrywide.

Sales-per-unit figures may be flat, she said.

And menu price inflation may be much higher in some categories.

"If you're looking year to year," Openshaw explained, "that can be a little misleading.

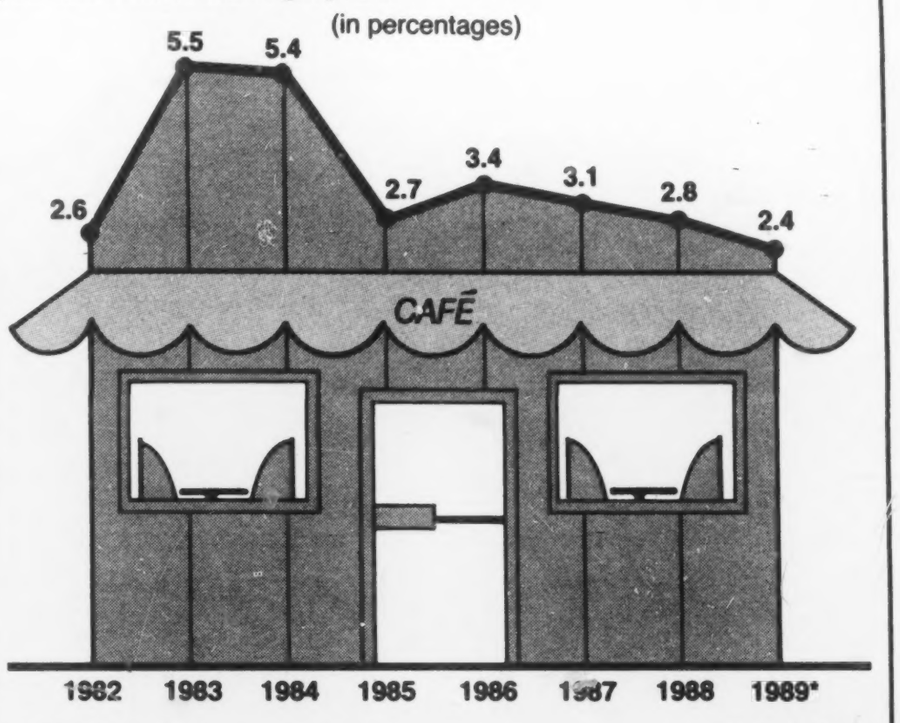
"For example, if you're looking at a chain that does a lot of chicken, that year-to-year figure will be way up because the prices were so depressed last year."

## FACT FILE

*A look at the statistics shaping the industry*

### RESTAURANT SALES GROWTH SLOWS

*Real sales at the nation's eating places are growing at their lowest year-to-year rate in more than eight years.*




# Po Folks emerges from Ch. 11

## *Chain starts over with $2.4M and new president*

By Peter Romeo

NASHVILLE, Tenn. — Po Folks Inc., operator of a 141-unit country-themed restaurant chain, has emerged from bankruptcy with $2.4 million in operating capital and a new president to oversee how the money is spent.

Shepherding the comeback program is John Scott, who has succeeded John Theoharis as president and chief executive. Theoharis, who assumed the posts when the chain filed for bankruptcy protection in late 1987, resigned to become president of a Bonanza franchise in St. Louis.

"John Theoharis said all along that his job was to steer us through bankruptcy protection, and now that that's over, he's moved on," said Mike McNeil, the company's marketing director and spokesman.

Scott's prior positions of executive vice president and chief financial officer will remain vacant, he added.

"We've got our management team complete and in place," McNeil commented. All of the top executives hold the title of director, without a single vice president in the group.

The crew faces the task of establishing Po Folks as a contender in the fiercely competitive midpriced restaurant market. Among the factors that contributed to the chain's bankruptcy was a glaring inconsistency in food quality and service.

In addition, the preponderance of fried items on Po

*(See PO FOLKS, page 90)*

## FOOD PRICE OUTLOOK

# *Beef supply to increase; prices to drop*

The **beef** supply will be climbing shortly, with prices softening, based upon the U.S. Department of Agriculture estimates of feedlot holdings coming into market age and size. All indications are that beef prices will be moderate through summer.

With farmers busy working the fields, however, **hog** marketing is down a bit, and prices are expected to rise. The unknown here is that an accurate estimate of hogs ready for market isn't available. A larger population than anticipated could hold a lid on pricing.

Despite forecasts that demand for **catfish** would drop from recent peaks, production has been increasing, and prices have been moving up as well. **Frozen fillet** prices are up more than 10 percent from last year's figure, and **fresh fish** prices are running at about 4 percent higher.

Tight supplies are moving **Gulf shrimp** prices higher, with harvesting not due to start until next month.

**Tuna** prices should be dropping soon. Heavy imports since the beginning of the year have put downward pressure on pricing. Food-service packs (6/66.5-ounce cans) of **skipjack** are running about $5 below last year's prices at this time. **Tongol,** on the other hand, is in shorter supply, but prices are also running below last year.

Some **dry bean** prices are running at record levels. Last year's drought and heavy export demand keep pushing prices up. Most of the **colored beans** (pink, pinto, red) are already 90 percent to 110 percent higher in price than they were last year. **California beans** are an exception. **Large limas** are up only 15 percent in price, and **baby limas** are actually down a bit from last year's packers' price of $51 per hundredweight. **Blackeye pea** prices are up about 20 percent.

— Patt Patterson

## NRN FINANCIAL DIGEST

### Jerrico forecasts 32% profit hike

LEXINGTON, Ky. — Jerrico Inc. said it expects to report a 32-percent rise in net income, to $5.3 million, on a 6-percent boost in revenues, to $163.2 million, for its third quarter ended March 29.

Lower cod costs, reduced discounting and promotion expenses, and an earlier Lenten season contributed to the projected improvement. Comparable-store sales rose about 4 percent, for a slight real gain.

Jerrico's concepts include the Long John Silver's Seafood Shoppes, Jerry's family restaurants and Florenz Italian dinner houses.

### Pritzker group lowers Ramada stake

WASHINGTON — An investor group controlled by the Pritzker family of Chicago said it has cut its stake in Ramada Inc. to 4.8 percent from the 7.2-percent share it disclosed in October.

In a filing with the Securities and Exchange Commission, the group said it sold 959,100 Ramada common shares for $11.17 to $11.46 per share. The group still holds 1.9 million shares.

No reason for the sale of the stock was given. Ramada shares were selling in the $9-to-$9.50-a-share range in October.

### Hilton projects profit drop

BEVERLY HILLS, Calif. — Hilton Hotels Corp. said it expects a 50-percent-to-55 percent decline in first-quarter profits from the year-ago figure of $27.0 million.

A spokesman for Hilton blamed the decrease on a drop in gaming revenues from the Las Vegas and Reno Hiltons and on start-up costs incurred by two new hotel operations.

The Las Vegas Hilton experienced an abnormally low win percentage on the gaming tables and lower than expected revenue from boxing gate receipts, the company said, while the Reno Hilton had major renovation costs.

### Max & Erma's posts 124% gain

COLUMBUS, Ohio — Max & Erma's Restaurants Inc. said net income rose 124 percent for the first quarter ended Feb. 19, to $314,000, on a 31-percent year-over-year increase in revenues, to $7.2 million.

The company attributed the gains to a 17-percent improvement in same-store sales over last year's first-quarter tally and to the income from a new restaurant in Rochester Hills, Mich., which opened during the quarter.

Max & Erma's operates 12 dinner houses and franchises one.

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 92

# FOCUS | OPINION

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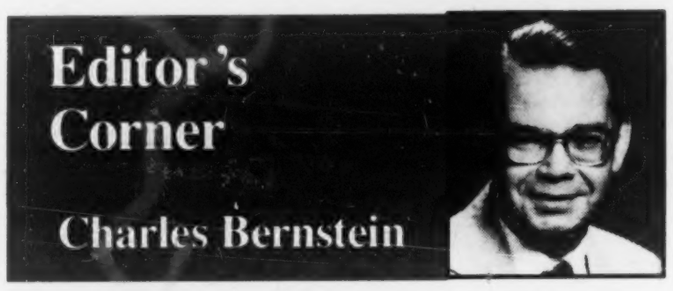
# Don't stifle the unit manager

Roll out the television advertising as rapidly as possible. Saturate as many markets as possible with a maximum of TV ads. Toss in some radio and newspaper advertising and direct-mail coupons.

Draft an updated list of menu items and prices and mandate their usage chainwide, with no exceptions. Merchandising and promotional techniques also will be compulsory.




Leave community relations activities and decisions to knowledgeable central authorities. Ditto with all human resource decisions.

If these principles are followed, success is guaranteed. In this age of television and the quick fix for anything, one need just press the buttons at central headquarters.

Right? Wrong. All too often, managers are merely instruments to implement decisions emanating from headquarters. There is almost no flexibility in permitting discretionary changes or decisions at the local level.

Over the years many chains have refashioned their centralization mold into one that is at least theoretically decentralized. The only way they can handle the rapid expansion is to decentralize to regional authorities.

To some degree, this has meant that the power once vested in headquarters is divided into a series of regions with vice presidents of marketing, operations, human resources, and other areas. Thus the "decentralized" region takes on a monolithic dimension of its own.

The unit manager once again is the forgotten person who is expected to implement orders received from a regional office, which in turn merely reflects instructions from central headquarters.

This is no way to win the battle. In any segment of the food-service industry, the unit manager is the person out there on the line. The operation rises or falls with the unit manager.

That is particularly evident in fine-dining establishments, where the owner or general manager has to be in constant touch with the customer. In fact, there is rarely a central headquarters, and with a multi-unit fine-dining operator, the general manager of the individual unit still determines its success.

There is no reason why this same philosophy should not apply to chains of all types. Even McDonald's, which some regard as the height of centralized authority, thrives on managerial responsibility in community relations.

One reason McD is so successful, besides its overwhelming centralized marketing punch, is the beautiful interaction of individual managers with the community. The managers go to community events, meet the people, and create a strong image for the chain.

They encourage birthday parties at their units and contribute freely of their time, facilities, and food for community events. Nothing else is so effective in building goodwill.

It is imperative for chain units to project an individual image, and they can achieve this only through the manager. The unit's image soars in direct proportion to a manager's community involvement.

Nor does it hurt to give the manager some say over marketing, merchandising, and the menu. Localized decisions on menu and pricing can be exceedingly helpful in fighting the competition.

Of course, so much hinges on hiring strong managers and making them feel important. Two chains that do a phenomenal job are Los Altos, Calif.-based Harman Management, KFC's most successful franchisee, and San Antonio, Texas-based Luby's Cafeterias.

Under Pete Harman and Jackie Trujillo, Harman Management offers managers partial ownership of units and liberally gives awards recognizing the best performers. It is no wonder that while Harman and Trujillo set the policies for their 240 KFC units, the managers exercise a maximum of individual authority at each unit.

Under John Lahourcade, unit general managers at Luby's 120 cafeterias make anywhere from $50,000 at the start to as much as $150,000 in annual compensation. Such generosity has propelled Luby's to leadership of the cafeteria segment. It is money well spent in boosting the stature and authority of the manager.

Chains can indeed thrive by giving unit managers confidence, reasonable authority, and flexibility to make local decisions, thereby enhancing the centralized policies. Those chains that view the manager strictly as an implementer or "order taker" are asking for trouble.

## LETTERS

### *Corporate politics call for subtle approaches*

Editor, NRN:

The anonymous letter "Questions need answers on restaurant politics" had a delicious list of revealing questions that were perfectly written for very precise responses. Here they are.

**Q:** "How high up the ladder do you climb with a complaint?"

**A:** You do not climb any ladders by complaining. People who rise highest and fastest are almost invariably positive in their approach. And complaints are by definition a negative approach.

**Q:** "How much wheeling and dealing is necessary for getting along with others?"

**A:** Wheeling and dealing is a way of manipulating others and responding to the manipulative tactics of others in like manner. Nothing in the exchange even approaches "getting along with others."

**Q:** "How long should you keep quiet when your performance evaluation, raise, and back pay are overdue?"

**A:** A courteous, professional request for constructive criticism will win you more points than the self-serving approach reflected by this question. "Keeping quiet" is impossible for the real achiever. His performance will be such that promotions and raises will happen almost spontaneously. Often the rewards are greatest for those who are the most self-critical.

**Q:** "Does a company have the right to withhold such money for more than a year?"

**A:** This is a legal question. If your relationship has deteriorated that far with your employer, it is time to find a new employer. Throw yourself into the marketplace, and the issues that seem to be giving you so much trouble will take on a whole new meaning.

My answers, of course, are terse and simplistic but no more so than the questions posed. In each case there are deeper issues that call for more subtle approaches, but this individual doesn't seem to be at that level of maturity.

I enjoy your newspaper as time permits. Keep up the good work. Little by little, you are dragging the industry into the latter half of the twentieth century.

**— John Ballard**
*manager and vice president*
Piccadilly Cafeterias
Smyrna, Ga.

### *Illinois: A great state for franchise regulation*

Editor, NRN:

Congratulations on your Editor's Corner column praising Illinois attorney general Neil Hartigan and his work on franchise regulation. It is time that restaurateurs around the country learn what a great state Illinois is to do business in.

**— Marc S. Schulman**
*general manager*
Eli's, The Place for Steaks
Chicago

### *Automated vs. man made: Quantity or quality?*

Editor, NRN:

In Tom Feltenstein's Viewpoint on the future in our industry, most of the predictions make good sense to me and are likely to occur.

I am dubious, however, about the apparent contradiction between more automation in food preparation and improving the eating quality of the product. Better quality — meaning smoother flavorings and better overall consistency — may be demanded by greater numbers of away-from-home eaters, and this raises the question:

Does future cooking require greater skill, experience, and craftsmanship, or is it to become a machine operation with its inherent limitations?

Related to this is the question of whether eating will become just an intake of caloric requirements or a means of pleasure giving as well. Those of us in the food-service industry who *are* future-oriented need to think about these possible choices and encourage others to do likewise.

**— Kenneth R. Burley**
Maryville, Tenn.

513184 C5150-5

NEWSPAPER

NON-COMMERCIAL

*MSU institutes campus deliveries*

See story on page 7

FOOD

*Crusts seal in food natural juices, fla*

Florence Fabricant/Page

EQUIPMENT

*mproves nent*

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NRN photo

A Tia's Mexican restaurant in Mesquite, Texas. Inset: Larry Lavine, founder.

## *Lavine rekindles Chili's magic with a Mexican touch at Tia's*

**By Tracey Taylor Woodard**

DALLAS — Hoping to bring that Chili's magic to the realm of Mexican dinner houses, Larry Lavine plans to expand his six-unit Tia's restaurant chain outside the Dallas Metroplex area by the end of this year.

Lavine, founder of the Chili's legend, left that company in 1984 to pursue his own real-estate and business interests. Just a few years later he decided to go back into the restaurant business and began looking for "something expanding."

Tia's, a full-service dinner-house concept similar to Chili's with a Mexican twist, proved to be the answer to Lavine's quest.

"Tia's had three units and was owned by three partners who didn't want to run a big company," Lavine said. "They didn't have the expertise to expand. They were happy to be owners."

Lavine joined the company as president in October 1987. Today, he said, his systems are in place, and the company is ready to expand.

"We have training, accounting, site selection, opening, and construction teams in

*(See TIA'S, page 57)*

# Operators riled by new tax rule on special perks

**By Alan Liddle**

PORTLAND, Ore. — Restaurateurs are angry and confused about new tax regulations requiring employers to report fringe benefits reserved for top managers.

The controversy over Section 89, an Internal Revenue Service rule due to take full effect July 1, emerged as a major issue at the Pacific Northwest Regional Restaurant Convention & Exposition here. About 24,000 people flocked to the three-day meeting that was sponsored by the Oregon Restaurant Association and was held at the Memorial Coliseum.

Operators complained that the measure undermines the value of previously tax-shel-

*(See SECTION 89, page 57)*

**Section 89 spawned by '86 tax reforms**

* * *

**Congress feels heat to reconsider**

See page 57

# Holdraker resigns from Ponderosa

**By Bill Carlino**

DAYTON, Ohio — In the latest in a series of shake-ups in the budget steakhouse segment, Frank Holdraker, chief executive of the Ponderosa steakhouse chain, has resigned after two and one-half years at the helm of the 720-unit operation.

Holdraker

A successor was not immediately named. David Pertl, Ponderosa's chief financial officer, temporarily assumed Holdraker's duties.

Holdraker's departure is only the most recent development in a year

*(See HOLDRAKER, page 4)*

# Ramada deals away hotels for casinos

## *Prime Motor joins Hong Kong firm in venture*

**By Rajan Chaudhry**

PHOENIX, Ariz. — In a high-stakes gamble that pins Ramada Inc.'s fortunes wholly on the future of its gaming operations, the once-diversified hospitality company is dealing its 825 hotels to a Hong Kong real-estate firm and Prime Motor Inns Inc. for $540 million.

Under an agreement with principal investor New World Development Co. Ltd., Prime will assume operational control of Ramada's 600-hotel U.S. franchise system.

Fairfield, N.J.-based Prime, which said its investment totals $180 million, already operates 450 Howard Johnson hotels as well as 130 other hotels under various banners.

Under the terms of sale, New World will retain the Ramada name for its hotels, and the gaming company will take a new, as yet undisclosed, name. The gaming company will maintain its headquarters here.

New World's largest development is the Hong Kong Convention and Exhibition Center, which includes the New World and Regent hotels.

Over the past few years, Ramada has fought off numerous suitors, most recently an investment group led by the

*(See RAMADA, page 4)*

## FOOD WATCH

### *Do you know the way to spam, Jose?*

SAN JOSE, Calif. — The owners of the Bento Xpress Japanese restaurant here have found a unique way to attract customers and the media: Spam sushi.

Co-owner Don Sakai said he added teriyaki-laced Spam wrapped in rice and seaweed to the menu in March after he heard from a friend that the combination was popular in Hawaii. The tip proved correct, he said, and the 16-seat restaurant was soon selling about 30 four-piece orders daily at $3 an order.

Perhaps as valuable as the extra $90 a day in sales, however, was the effect the canned-meat delicacy had on the media. One newspaper published an article and color photo on the front page, and a television station featured the one-of-a-kind finger food on two newscasts.

— Alan Liddle

BERNSTEIN ON THE SERVICE AND HOSPITALITY CRISIS — Page F3

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| NRA Show | May 22 |
| Take-out and home delivery | May 29 |
| NRA wrap-up | June 5 |
| Culinary and HRI schools | June 12 |
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Vol. 23, No. 18 May 1, 1989

# NEWS DIGEST

## Burger King fires NW Ayer, narrows agency search to 3

MIAMI — After yanking its $150 million national advertising account away from NW Ayer, Burger King Corp. has narrowed its search for a replacement agency to three shops.

D'Arcy Masius Benton & Bowles, New York, Saatchi & Saatchi Advertising, New York, and J. Walter Thompson, Chicago, are still in contention, Burger King said.

The finalists have received a strategic brief from Burger King and will present their proposals within the next few weeks, a Burger King spokesman said. Gary Langstaff, Burger King's new marketing chief, will manage the final stage of review, the spokesman said.

## Popeyes operator files suit concerning Church's deal

DETROIT — A nine-unit Popeyes franchisee here has sued the chain's franchisor for alleged damages stemming from the defendant's recent $392 million purchase of Church's Fried Chicken.

The plaintiff, Franchise Management Unltd., said the acquisition puts the licensee in competition with its franchisor, A. Copeland Enterprises, which assumed management of 30 local Church's units following the Church's deal.

In addition, the suit, which seeks more than $50,000 in damages, charges Copeland with slashing Popeyes' advertising budget in the wake of the Church's acquisition.

Popeyes indicated that it would seek to have the suit dismissed for lack of merit.

## SAS buys $500M stake in Inter-Continental

COPENHAGEN, Denmark — Scandinavian Airlines System here has paid Japan-based Saison Group an estimated $500 million for a 40-percent stake in Inter-Continental Hotels, the worldwide luxury lodging chain.

Saison, which bought Inter-Continental from Grand Metropolitan last year for $2.15 billion, said SAS will also participate in the chain's operation.

Inter-Continental has hotels in New York, Chicago, and San Francisco.

## Skipper's set to accept cards, checks in Oregon

BELLEVUE, Wash. — The Skipper's fast-food fish chain plans to begin accepting credit cards and personal checks at its 35 Oregon units.

The decision follows a six-month, single-unit test in which charged meals accounted for 6 percent of volume and sales by check ranged from 10 percent to 12 percent.

In the Denver test per-transaction tickets, which normally average $5.60, jumped to a mean of $11 when paid by credit card and to $12 when paid by check.

## Namiot succeeds Silva at helm of Brigham's

ARLINGTON, Mass. — Brigham's, the ice-cream dipping-store chain here, has tapped former consultant Milton Namiot to succeed Richard Silva as president.

Silva, who took the job in the fall of 1987, resigned for personal reasons, according to the 75-year-old company. His mission was to hasten expansion, according to Brigham's statements issued at the time of Silva's appointment.

Namiot formerly advised Brigham's as a consultant. Previously, he served as a senior vice president of Gulf + Western.

## Melman's group plans Southern-style restaurant

CHICAGO — Lettuce Entertain You Enterprises, Richard Melman's restaurant empire here, will open an 850-seat Southern-themed restaurant here late in the fall, according to an informed source.

The seating capacity will encompass banquet rooms and a 250-seat bar, the source said.

## *Dunkin' Donuts cuts staff, shifts strategy after takeover threat*

**By Peter Romeo**

**RANDOLPH, Mass. — Hours after a Canadian investor revealed that he may mount a takeover of Dunkin' Donuts, the pastry maker dropped a bombshell of its own by disclosing that it had fired 14 percent of its staff and was overhauling its sales strategy.**

**The takeover threat came from George Mann, a Toronto-based businessman who controls such holding companies as Unicorp Canadian Corp. and Kingsbridge Capital Group.**

**Dunkin' also said that it would sell 17 percent of its common shares to an employee stock-ownership plan, and that it was adopting a new "poison-pill" to thwart takeovers. Those tidbits led some investors and newspapers to marvel at the speed with which Dunkin' had acted to protect its independence.**

**"It was purely a coincidence that the two things happened on the same day," said Dunkin' chairman Robert Rosenberg. "Clearly you don't draft an ESOP plan and put together severance packages for 80 people in a few hours. We had been planning a realignment for some time."**

**Under that strategic shift, he said, Dunkin' is seeking incremental sales through the addition of doughnut outlets rather than menu items. In particular, the company wants to outfit more convenience stores with "satellite" kiosks that sell doughnuts baked at nearby conventional Dunkin' outlets.**

**The realignment also entails merging field operational staffs with development teams to form one crew with dual responsibilities. That move, coupled with the slowdown in menu development, afforded an opportunity to eliminate 80 jobs, Rosenberg said.**

**In a government filing, Mann's Kingsbridge group said it might use its newly amassed 6.6-percent stake in Dunkin' Donuts to "seek improvements" in the doughnut maker's profitability. Kingsbridge also stated that it might attempt a takeover of Dunkin' through a tender offer or merger.**

**Dunkin' "had no idea" that Mann's group was amassing shares and has no plans to meet with Kingsbridge representatives, Rosenberg said.**

## Arby's signs Japan's Kyotaru to Calif. pact

ATLANTA — Arby's has launched an ambitious California expansion drive by signing Kyotaru Co. Ltd., one of Japan's largest restaurant companies, to a 20-unit development pact for Orange County.

The 2,100-unit Arby's system currently has only 13 units in Orange County, south of Los Angeles, and a total of about 105 roast-beef sandwich outlets statewide. Leonard Roberts, the Atlanta-based chain's president and chief executive, said it intends to open 400 restaurants in California during the next five years.

Hiroshi Tanaka, Kyotaru Co.'s president, said his company plans to become the highest-grossing and largest operator in the Arby's system. Roberts called the Tokyo company's three-year goal of 20 Arby's units a minimum commitment.

## Riese eyes Lone Star Cafe as site of a dinner house

NEW YORK — The Riese Organization plans to convert the shuttered Lone Star Cafe, a Greenwich Village honky-tonk that showcased top-name country-and-Western acts, into a Darryl's or Houlihan's dinner house.

The Lone Star was recently closed because the rent for its Fifth Avenue location had skyrocketed. An uptown spin-off, the Lone Star Roadhouse, remains in business.

The Riese Organization operates Houlihan's and T.G.I. Friday's restaurants in New York.

# Menu price hikes level off

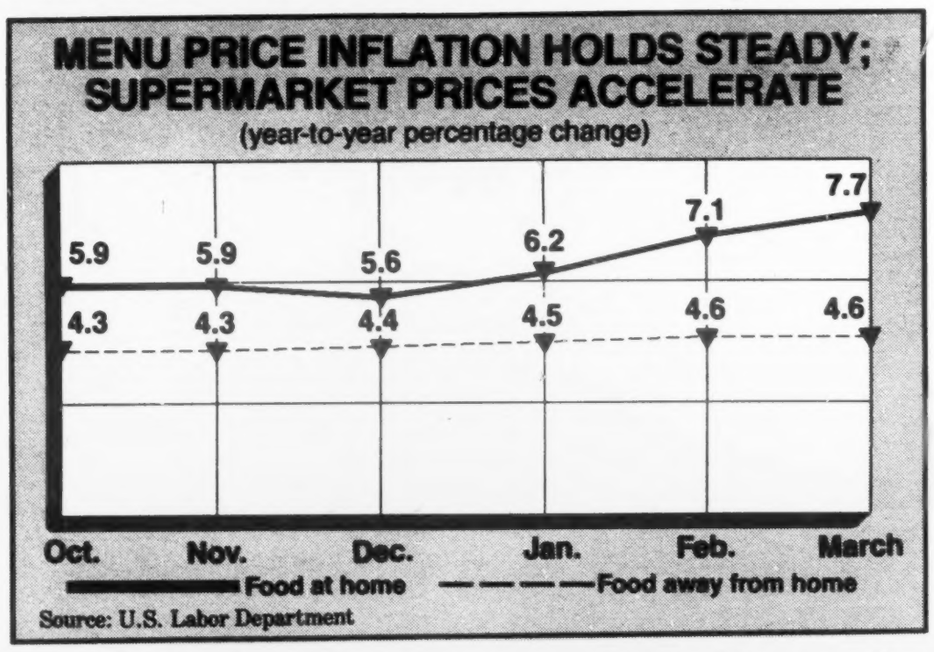
## *March's 4.6% increase matches February rate*

WASHINGTON — While grocery-store prices advanced at a sizzling 7.7-percent rate in March, restaurateurs held menu-price inflation at its February level of 4.6 percent, according to the U.S. Labor Department's Consumer Price Index.

Lunch tickets led Food Away from Home increases in March, registering a 4.7-percent gain, while dinner check inflation was clocked at 4.5 percent. And prices of other meals and snacks increased at a 4.6-percent rate.

Egg prices, which advanced at a 40-percent year-over-year clip, contributed to the runaway prices at the nation's supermarkets, as did those of potatoes, 35 percent; fresh whole chicken, 23 percent; apples, 22 percent; and tomatoes, 21 percent.

Price losers were limited to pork products. The cost of bacon fell 7 percent, while the inflation rate for ham prices slipped 4 percent.




# Divestures slice Holiday's f&b sales

**By Peter Romeo**

MEMPHIS — Hotel divestitures pared the food-and-beverage revenues of Holiday Corp. to $226.1 million in 1988, undershooting the 1987 tally by 13 percent.

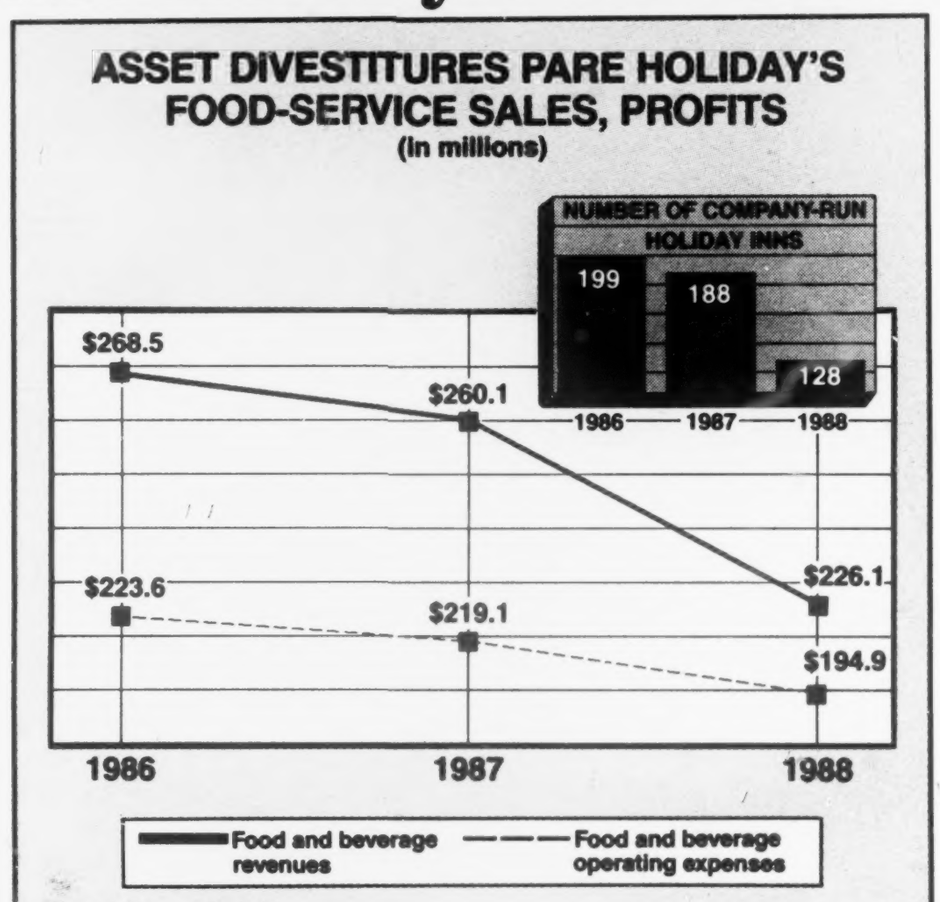
Food-and-beverage operating expenses fell 11 percent, to $194.9 million, according to the innkeeper. The figures indicate that gross income from food-service operations amounted to $31.1 million, down year to year by 24 percent.

The declines reflect the 1988 sale of 60 Holiday Inns, for a cutback of 32 percent. Holiday has been selling company-run properties to "convert our substantial real- estate assets — historically undervalued by the stock market — to cash," the corporation recently told shareholders.

"Perhaps the single most important accomplishment for 1988 was the successful completion of our recapitalization plan," commented Michael Rose, Holiday's chairman, president, and chief operating officer. "By the end of January 1989, we had generated more than $900 million in proceeds from asset sales, one year ahead of projections."

In addition, Holiday has changed its mix of properties to include more budget-priced and all-suite hotels, which

*(See **HOLIDAY**, page 55)*

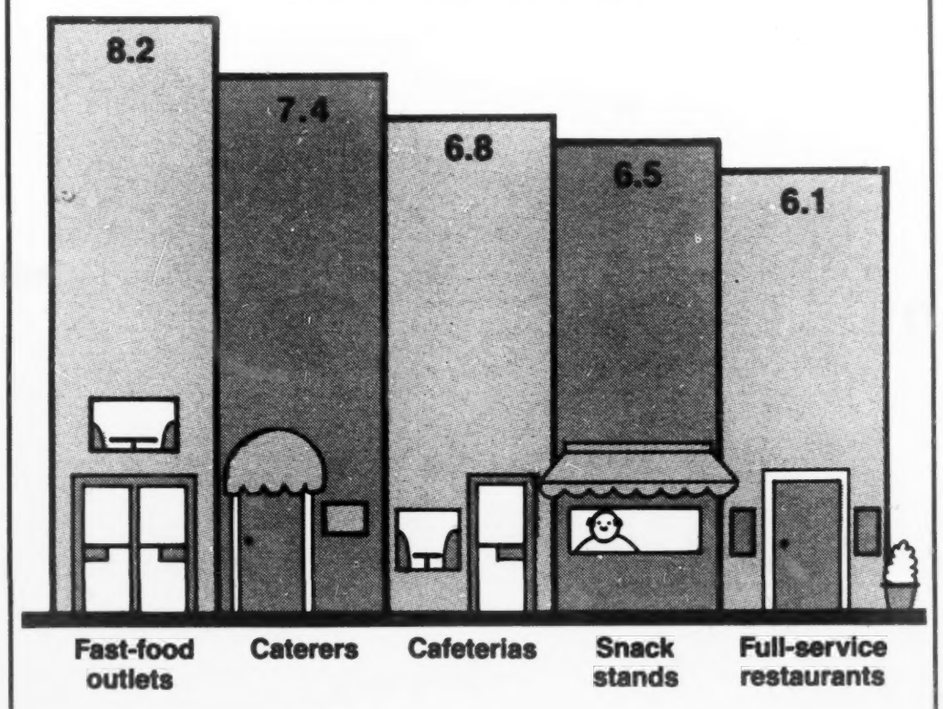



## FACT FILE

*A look at the statistics shaping the industry*

### SALES GROWTH FASTEST AT FAST-FOOD RESTAURANTS

(percent change 1988 to 1989)




Source: National Restaurant Association projections

## FOOD PRICE OUTLOOK

# *Midwest still below normal on rain*

Midwestern farmers have told the U.S. Department of Agriculture that they're going to plant lots more **wheat** (13 percent more) and **sorghum** (14 percent) this year and also increase their acreage in **corn** (8 percent) and **soybeans** (5 percent). But they plan to hold steady on **barley** and cut back on **oats** (6 percent less) and **rice** (3 percent).

The problem is that some large parts of Illinois, Iowa, Kansas, and Missouri are still well below normal in terms of rain. If it doesn't come, the yields may be down even if a full-scale drought does not recur. The winter **wheat** crop is way off projections because of the lack of precipitation, and that will in turn push up **flour** prices.

The effect of the Alaskan oil spill on **salmon** won't really be known for another two years. Some fry that were released just after the spill are believed to be lost, but only about 10 percent to 15 percent make it back to spawn in any case. This year's salmon run is still in doubt. If much residue remains, it could contaminate a large part of the run. If not, conditions could be nearly normal.

Some rises in the price of **dehydrated potatoes** have taken place . . . **Canned tomato products,** especially paste and puree, have moved up in price because of tight supplies. The same applies to ketchup and tomato sauce, which will affect prices of spaghetti sauce . . . **Frozen concentrated orange juice** is up on higher Brazilian bulk prices.

Some products whose prices have eased are **canned imported hams, canned pineapple, iceberg lettuce, fresh strawberries,** and **fresh asparagus.**

**— Patt Patterson**

## NRN FINANCIAL DIGEST

### Interest costs clip Marriott's profits

WASHINGTON — A 37-percent hike in interest expense held Marriott Corp. — which operates restaurants, hotels, and contract feeding services — to a 2-percent increase in net income, to $46 million, for its first quarter.

Sales for the quarter gained 10 percent year-over-year to $1.8 billion.

The company's lodging operations posted the best comparisons, raising operating income 18 percent on a 9-percent sales gain.

Marriott's contract services experienced a 14-percent increase in operating profits on an 11-percent sales hike.

And the company's restaurant operations, which include the Bob's Big Boy and Roy Rogers concepts, lifted operating profits 9 percent on a 5-percent improvement in sales.

The higher interest costs resulted from share repurchases and an increase in interest rates. The company's effective tax rate declined slightly in this year's first quarter, to 39.4 percent, from 40 percent in the same period last year.

### Asset sales give Circle K gain

PHOENIX, Ariz. — Proceeds from asset sales offset Circle K Corp.'s high interest expenses and lower-than-expected merchandise margins to boost the convenience-store operator's net income 45 percent, to $12.8 million, on a like rise in revenue, to $894.9 million, for its third quarter ended Jan. 31.

In January the company sold its commissary here for an after-tax gain of $14.4 million.

For the January-ended nine months, Circle K's net income fell 6 percent, to $38.5 million before the effects of an accounting change lifted the year-ago net to $46.4 million. Revenues increased 29 percent, to $2.6 billion.

Between $250 million and $300 million, or about 27 percent, of the company's total long-term debt is variable and was affected by recent increases in the prime rate.

### Beef costs cow Skyline Chili's profits

CINCINNATI — Skyline Chili Inc. said high beef costs held net income to $195,000, a year-to-year increase of only 3 percent, for the first quarter ended Feb. 19.

Revenues for the quarter advanced 29 percent, to $5.3 million, buoyed by wider distribution of the company's grocery products and an increase in the number of units in operation, the company said.

Skyline Chili will raise menu prices to reduce the impact of the high beef costs, it said.

The company operates 81 chili restaurants, 30 of which are company owned. And six to 10 restaurants will open this fiscal year, the company said.

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 58

# FOCUS | OPINION

Nation's Restaurant News

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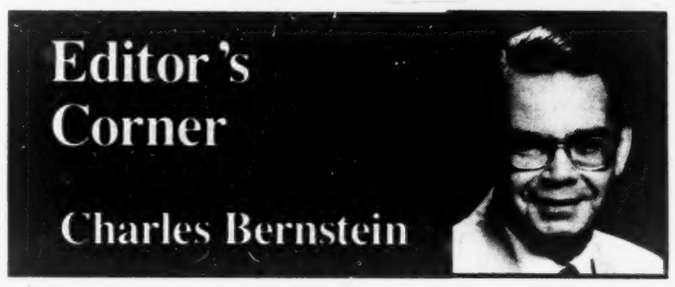
# The service and hospitality crisis

If you don't believe there are serious problems in American food service, consider surveys by students at Washington State University's Hotel & Restaurant Administration School. It makes a recent Time magazine article saying that "Service Stinks in America" sound like only a slight exaggeration.

Under the leadership of Westin Hotels Distinguished Professor Don I. Smith, students at WSU's Hotel Restaurant Administration School have been secretly surveying 60 fast-service restaurants (some of them in the same chains) for the past few years. They "shopped" the units five times each in what Smith called "service dramas."




Smith termed service dramas "planned interactions between guest and host which test the host's willingness to deliver hospitality and service." He sees service as the complete restaurant transaction: "It's the procedure that occurs from the time it takes to order and receive a meal, the level of cleanliness, the quality of the food, and the settlement of the bill."

Also considered important in the surveys was "the personal interaction between guest and host which is delivered when the host goes out of his or her way to satisfy some need of the guest."

Based on 360 student "encounters" in 60 quick-service restaurants in the Washington-state and Idaho area, the level of service on a scale of one (disappointing and hostile) to five (exceeding all expectations) averaged three at best.

Operating in groups of five each, students created situations requiring the host to exercise varying degrees of hospitality in key traits: friendliness under stress, immediacy of action, anticipation, managing a complaint, self-control, and listening for "opportunities" with the customer.

Each year of the study, three or four restaurants emerged as "exceptionally hospitable," 12 to 14 restaurants as "average," and three or four in a below-average range, where guests "are treated with disregard, condescension, or rudeness."

This is far from a pretty picture for the quick-service segment and the industry in general. The bottom line is that service and hospitality too often fall below expectations. Average ratings or mediocrity should not be the goal.

A handful of unit managers simply refused to be interviewed or to allow their crews to be questioned by students who had eaten in their units, although the managers did not know this. Inevitably, these non-responsive managers scored the lowest in service and hospitality.

On a happier note, four managers who were invited to address the students on management views were delighted to have this classroom opportunity. They were the managers whose units were the friendliest and the most hospitable. They were presented with surprise awards at the end of their talk.

In what was not a coincidence, three of the four unit managers had the same district manager, and the fourth was recently hired away by the same district manager. Thus the district manager has a potent role in hiring, developing, and retaining top-flight managers.

In essence, the extensive student surveys dramatize today's desperate need to, in the words of Don Smith, "identify, hire, and keep exceptionally friendly, caring managers."

What emerges is that service and hospitality are not a forte of a representative cross section of quick-service restaurants in the Pacific Northwest. But we suspect that this problem is just as serious, or even worse, in the rest of the country.

Whether the units are called quick-service or fast food, the principles are the same. Customers expect a reasonable level of courtesy, friendliness, and hospitality, which they presumably receive at a McDonald's or a Chili's, but not at many other quick-service restaurants.

Nor, we suspect, are customers seeing their service and hospitality expectations realized at family restaurant-coffee shops, steak houses or fine-dining establishments (where a much higher standard is normally anticipated).

It is long past time for food-service operators to re-examine their approaches to service and hospitality, to focus on truly pleasing the customer. An average rating is not nearly good enough for the customer or the operator in today's competitive world.

Twenty-five students in Don Smith's class have indicated the dimensions of the problem. When some of them become food-service managers, prospects are that they will enhance service-hospitality standards. Meanwhile, we hope their implied pleas for better service and genuine hospitality will be heard and heeded.

## LETTERS

### *College feeding market enjoys peer support*

Editor, NRN:

Your Focus on college feeding is a welcome recognition of our important segment of the non-commercial food-service market. I am particularly grateful that NRN associate editor Bill Carlino highlighted the contribution of the University of Pennsylvania and our professional association, NACUFS, to our industry.

Carlino's statistics about food-service contractor shares are skewed, however. Accepting the premise that there are an estimated 1,100 colleges and universities utilizing contractors, that is 42 percent, not 65 percent, of the 2,635 colleges and universities in the United States.

In terms of dollar volume, NRA statistics show the contractor's share at $2,433,277, or about 35 percent, not 65 percent. Totaling the figures in NRN's article shows the major contractor's share at less than a billion dollars.

On the other hand, all of the independently run universities highlighted in Carlino's article — Notre Dame, Michigan State, U.S.C., and Ohio State — are members of NACUFS. That association's members, not the contractors, dominate over 65 percent of the market. NACUFS sets industry standards.

As in previous years, NACUFS claims many Silver Plate and Ivy Award winners. This year's Silver Plate winner is Peg Lacey, Cornell's director of dining services, and this year's Ivy winner is Gail Finan, Bryn Mawr and Haverford's director of administrative services.

With NACUFS as our professional association and the NRA as our trade association, we professionals who operate independent food-service organizations for our great colleges and universities enjoy the very highest level of peer support.

**— Donald M. Jacobs**
*executive director*
Hospitality Services
University of Pennsylvania
at Philadelphia

### *IFA confab coverage proves a pleasure*

Editor, NRN:

I cannot offer any more effusive praise than once again to say thanks for a job well done in your thorough coverage of the International Franchise Association's most recent annual convention. The clips have been duly passed around the office for in-house perusal and we have also sent copies to our award recipients.

It is always a pleasure working with the professional crew at Nation's Restaurant News, not only at convention time but throughout the year.

**— William B. Cherkasky**
*president*
International Franchise Association
Washington

### *Hotels, restaurants not all there is to industry*

Editor, NRN:

I agree with the point you made in your Editor's Corner column, that many schools don't stress their respective restaurant programs as they should. Restaurants have become the service industry's leading force.

However, you neglected to mention the industry is not limited to restaurants and hotels. It comprises many areas. In addition to restaurants and hotels, there are cruise lines, travel services, sporting facilities, hospitals and other care centers, correctional facilities, etc.

Florida International University's School of Hospitality Management's title is an umbrella for all aspects of our vast industry.

You criticize the school for not labeling "restaurants" No. 1, but please let's not forget about all the rest.

**— Daniel M. Metter**
*senior*
Forida International University
Miami, Fla.

5/6/89 C5150-5

**HALL OF FAME**

## *NRN inducts 13 fine-dining greats*

See Section Two

**NON-COMMERCIAL**

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## *…etness, …uces*

Florence Fabricant/Page 11

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# Chains gain edge as food costs rise

## *Independents forced to raise prices*

**By Peter Romeo**

Runaway commodity costs are handing chain restaurants an advantage over independent rivals in the firefight for an increasingly price-sensitive clientele.

Protected by fixed-cost volume purchasing agreements, multi-unit operators say they have held the line on menu prices despite the heftiest increases in wholesale food costs since 1980. But many independents lament that the pressure on their margins has been too intense to withstand.

"Food costs were going over the roof. We had to raise [menu prices],

*(See **MENU**, page 60)*

**NRN inquiring photographer:**
**Have you raised menu prices, or will you do so in the future?**
**Page 7**

NRN Photo

**Postrio co-owner Wolfgang Puck, left, and executive chefs Anne Gingrass and David Gingrass gather on the stairway that leads down into the dining room of the 200-seat restaurant in San Francisco.**

# *It's standing room only at San Francisco's Postrio*

**By Alan Liddle**

SAN FRANCISCO — Just four weeks after opening, Postrio, the new restaurant created by chef Wolfgang Puck, designer Pat Kuleto, and management specialist Bill Kimpton, is booked for dinner six weeks in advance.

Lunch reservations are easier to secure, management indicated, as long as they are made one month in advance.

The 200-seat restaurant, which cost more than $2 million to develop, is managed by Puck and employees of Kimpton's company, Kimpton Restaurant Group (formerly Kimco Hotel Management). Kimpton veteran Geordy Murphy is the general manager.

Puck, who also owns Spago and Chinois on Main in Los Angeles, is a partner in Postrio with Blackman Flynn & Co., an investment banking firm. Because he can't be in San Francisco full time, he hired two former Spago stalwarts, Anne and David Gingrass, to run the kitchen.

Already, Postrio is doing an average of 470 to 500 covers per day, said Nancy Mootz, Kimpton Restaurant

*(See **POSTRIO**, page 60)*

# Taste of Nation raises $850,000 in 48-city effort

**By Milford Prewitt**
**with bureau reports**

Some 700 restaurants in 48 cities across the country, united to fight hunger, raised more than $850,000 in the second annual Taste of the Nation event, sponsored by Washington, D.C.-based Share Our Strength.

Staged as a coast-to-coast, simultaneous food-sampling and wine-tasting feast, Taste of the Nation, organizers said, took in revenues from ticket sales that might exceed their goal of $1 million.

Share Our Strength, the network of restaurants that created the project, initially projected that 1,000 restaurants representing 50 to 60 cities would be involved in the one-night event. Last year SOS raised $250,000 in 26 cities.

All of the money from the event will be used to finance domestic and international food banks and other charitable organizations involved in the fight against hunger.

Everything from hotel ballrooms to shopping malls to concert halls was rented by local sponsors and supporters so that the restaurants could concentrate on ticket sales and cooking.

"I believe we did more than $850,000, at least $1 million, maybe more", said an ebullient Bill Shore, founder and executive di-

*(See **TASTE**, page 61)*

**FOOD WATCH**

## *Chiang's menu thinks small*

BEVERLY HILLS, Calif. — A "tasting" evolution has reshaped the Chinese fine-dining tradition begun by Cecilia Chiang at her renowned Mandarin restaurants in San Francisco and Beverly Hills.

After a devastating fire, the Beverly Hills branch reopened with a new menu, a new exhibition kitchen, and the new ownership of Chiang's son, Philip Chiang, and his partner, Lud Renick. They feature a revised and expanded menu format encouraging multi-minicourse dining.

The veteran restaurateurs are serving scores of "small tastes," two-thirds-size portions of items from the Mandarin's vast menu. Many new recipes, including dumplings, savory pastries, noodles, roasted meats, seafoods, and vegetable dishes, were developed at Philip Chiang's casual Mandarette cafe in Los Angeles.

The revamped Mandarin also features authentically prepared Peking ducks ($35), not the usual deep-fried substitutes that are roasted at 15-minute intervals to accommodate a steady demand.

**— Richard Martin**

CHARLES BERNSTEIN ON THE SMOKING ISSUE: A FIERCE DILEMMA — Page F3

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## NEWS DIGEST

# Prudhomme, Ark discuss possible NY joint venture

NEW YORK — Paul Prudhomme, the renowned Cajun chef of K Paul's Louisiana Kitchen in New Orleans, and Ark Restaurants, the New York restaurant group, are exploring the possibility of jointly operating a restaurant here.

Beyond confirming what had been a persistent report in the restaurant circles of New York, Atlanta, and New Orleans, Ark president Michael Weinstein said it was premature to talk about the discussions with Prudhomme.

# Aided by accounting gain, Wendy's profits jump 83%

DUBLIN, Ohio — Wendy's International said a $5.2 million gain from a one-time accounting change contributed to an 83-percent leap in net income, to $6.3 million, for its first quarter ended April 2.

Revenues for the period rose 2 percent, to $259.5 million.

Chief executive James Near said that improvements from reducing food and labor costs were more than offset by increased discounting. Sluggish sales early in the period were significantly buoyed by a March chicken Parmesan sandwich promotion, he added.

Systemwide sales from Wendy's 3,768 restaurants totaled $718.9 million during the first quarter, a 5-percent increase over year-ago tallies. Year-to-year sales at the average unit in the chain climbed 3 percent, to $183,000.

# Campbell, former BK chief, lands Pizzeria Uno franchise

WEST ROXBURY, Mass. — J. Jeffrey Campbell, the former chairman of Pillsbury's restaurant group and a past chairman of Burger King, has signed on as a franchisee of Pizzeria Uno, the pizzeria chain based here.

Campbell will develop Uno pizzerias in parts of North and South Carolina, the chain said.

The arrangement marks the addition of yet another former chain heavyweight to the roster of Uno franchisees. The pizza chain has also granted licenses to Art Gunther, the one-time president of Pizza Hut, and Lou Neeb, another past Burger King president.

# Burger King puts operations under four regional officers

MIAMI — Burger King Corp. said it has split responsibility for its 22-market field operations among four newly appointed executive vice presidents.

C. Donald Dempsey will assume control of Northeastern operations, C. Scott Conner will take charge of Southeastern operations, Kevin K. Moriarty will take the helm of Central operations, and David I. Geddes will head Western operations, the company said.

Dempsey was replaced as Burger King's interim marketing head by Hardee's ex-marketing chief, Gary Langstaff; Conner was formerly vice president and general manager of the Southeast division of Kentucky Fried Chicken Corp.; Moriarty was formerly executive vice president of the North Central division; and Geddes was group public affairs executive for Grand Metropolitan PLC.

# *Mann seeks OK to raise stake in Dunkin'*

**By Peter Romeo**

**RANDOLPH, Mass. — George Mann, the Canadian businessman contemplating a takeover of Dunkin' Donuts, has asked U.S. regulators for permission to raise his stake in the doughnut maker to 50 percent.**

**Mann revealed in a government filing that he has already boosted his Dunkin' holdings to 7.6 percent of the operator's common shares, from 6.6 percent.**

**In an earlier filing Mann said that one of his holding companies, Kingsbridge Capital Group, might seek to take control of Dunkin' through "a tender offer, merger, recapitalization, proxy contest, or otherwise."**

**Kingsbridge's aggressiveness in acquiring shares "suggests to us that this Canadian firm could be serious about pursuing Dunkin,'" Leslie Steppel, the restaurant analyst for Prudential-Bache, recently told clients. She speculated that Mann is interested in Dunkin' because of its real-estate holdings, which include an office building and training center in this Boston suburb.**

**Mann, 56, amassed a fortune early in his career by buying and selling real estate, according to Canadian sources.**

**"We have no plans at this time to meet with them," said Dunkin' chairman Robert Rosenberg. "We regard them at this time as nothing more than a major stockholder."**

**However, he stressed that Dunkin's board wishes to maintain the company's independence.**

**Mann's spokesman did not return telephone calls.**

# Taco Bell switches agencies; keeps 59-cent tacos in L.A.

IRVINE, Calif. — Taco Bell Corp. has switched its $75 million advertising account from Los Angeles-based Tracy-Locke, a seven-year incumbent, to San Francisco's Foote, Cone & Belding, creators of the "California Dancing Raisins."

The 2,950-unit, Pepsico-owned chain also permanently set its standard taco price at 59 cents in the Los Angeles market, its largest trading area. Meanwhile, the chain's stores nationwide continue to discount low-end items to as low as 39 cents.

Television commercials in Southern California promise that the 59-cent taco, lowered from 79 cents last fall in what was then described as a temporary promotion, would stay at that price "from now on." Taco Bell officials weren't available to comment on the action or to confirm reports that sales have surged 25 percent since the price-cutting binge began in the fourth quarter.

Taco Bell's agency switch is the chain's second major marketing shake-up in recent months. Timothy Ryan replaced James Loser as executive vice president of marketing in December.

**Compiled from staff and wire reports**

# *John Teets to keynote at MUFSO*

MUFSO 89

**NEW ORLEANS — John W. Teets, longtime chairman and chief executive of Greyhound Corp., will be the keynote speaker at Nation's Restaurant News' 30th annual Multi-Unit Food Service Operators (MUFSO) conference in the New Orleans Hilton Sept. 10-13.**

**Teets, a past winner of the International Foodservice Manufacturers Association's Gold Plate Operator of the Year award, served as president of Greyhound Food Management in the mid-1970s. He subsequently moved into corporate leadership at Greyhound, battling unions, dropping the bus lines, and reshaping the company into a streamlined operation of related entities.**

**Teets**

**He will discuss leadership techniques on Monday morning, Sept. 11, in accordance with the conference theme, "Fitness for Success: A New Kind of Leadership for a New Decade." A number of other top speakers and panelists are being lined up for the conference.**

**For MUFSO details, see ad, page 47.**

FINANCIAL NEWS

# McDonald's boosts profits 13% to $141.7M in 1st Q

By Rajan Chaudhry

OAK BROOK, Ill. — McDonald's Corp., the nation's largest restaurant operator, overcame higher labor costs, rising interest expenses, and unfavorable foreign exchange rates to post a 13-percent gain in net income on a 12-percent year-to-year rise in revenue for its first quarter.

Boosted by asset sales and a lower tax rate, McDonald's profits increased to $141.7 million, while its revenues climbed to $1.38 billion for the quarter ended March 31, the company said.

Although McDonald's earnings were in line with most projections and its stock rose slightly — about 88 cents to $54.38 per share — on the day following the announcement, several analysts said they were unimpressed by the company's performance.

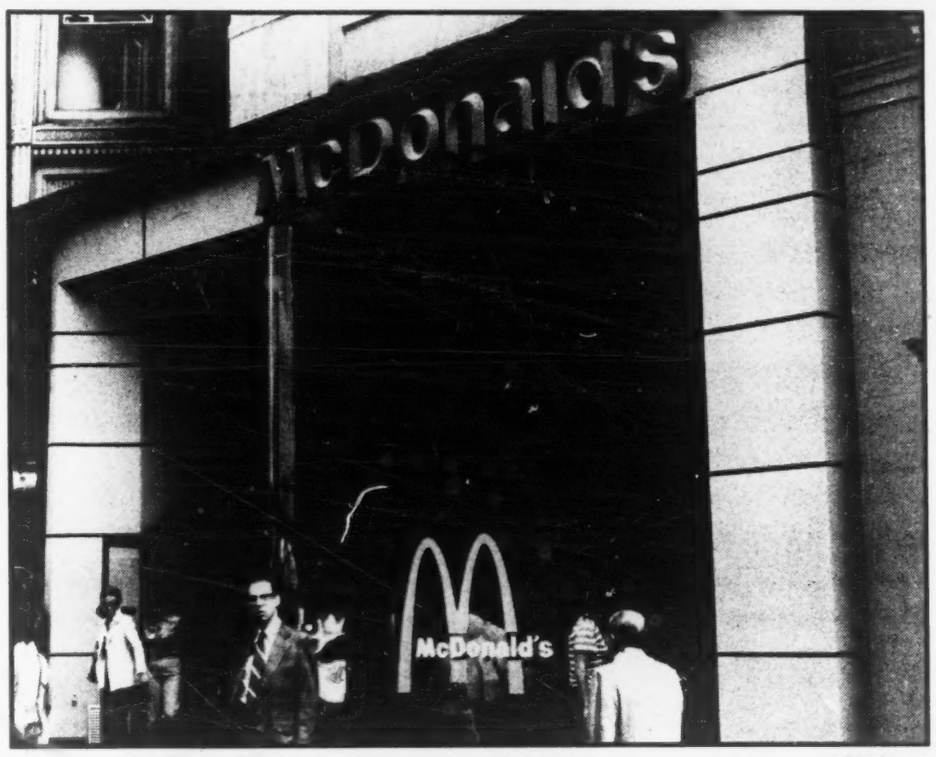
"It was not a stunning quarter by any stretch," said analyst Caroline Levy of Shearson Lehman Hutton.

Customer counts at domestic stores fell 1.5 percent, Levy noted, a figure McDonald's would not confirm. And the strength of the dollar against foreign currencies — primarily the yen — cost McDonald's $5 million, a figure McDonald's did acknowledge.

"For the first time [foreign] affiliate revenues were up very marginally," said Levy. "Previously we'd been seeing huge growth in that area."

McDonald's faced difficult comparisons in April and will face them again in May, Levy said.

"We have another couple of months of negative customer counts because the Scrabble promotion is not as successful as Monopoly was," Levy predicted. "And then in June or July, we're going to see counts turn positive because of easy comparisons, and also because they are rolling out their chicken sandwich more aggressively now."




NRN Photo

**An upscale McDonald's unit in midtown Manhattan.**

McDonald's recently introduced a Country Style McChicken sandwich, priced at about $2.69, in New York. And it is testing the product in other markets, a McDonald's spokeswoman confirmed.

Although McDonald's would not elaborate on the scope of testing or its plans for rollout, Levy said the McChicken sandwich is now in about 3,300 stores, up from 1,500 only a few months ago.

In the first quarter, a 6-percent increase in number of stores in operation over the year-ago quarter, which brought the McDonald's system to 10,577 units, as well as menu-price hikes at franchises and affiliates, boosted systemwide sales 10 percent to $3.93 billion.

Company stores have not taken a price increase so far this year, said McDonald's spokesman Chuck Ebeling.

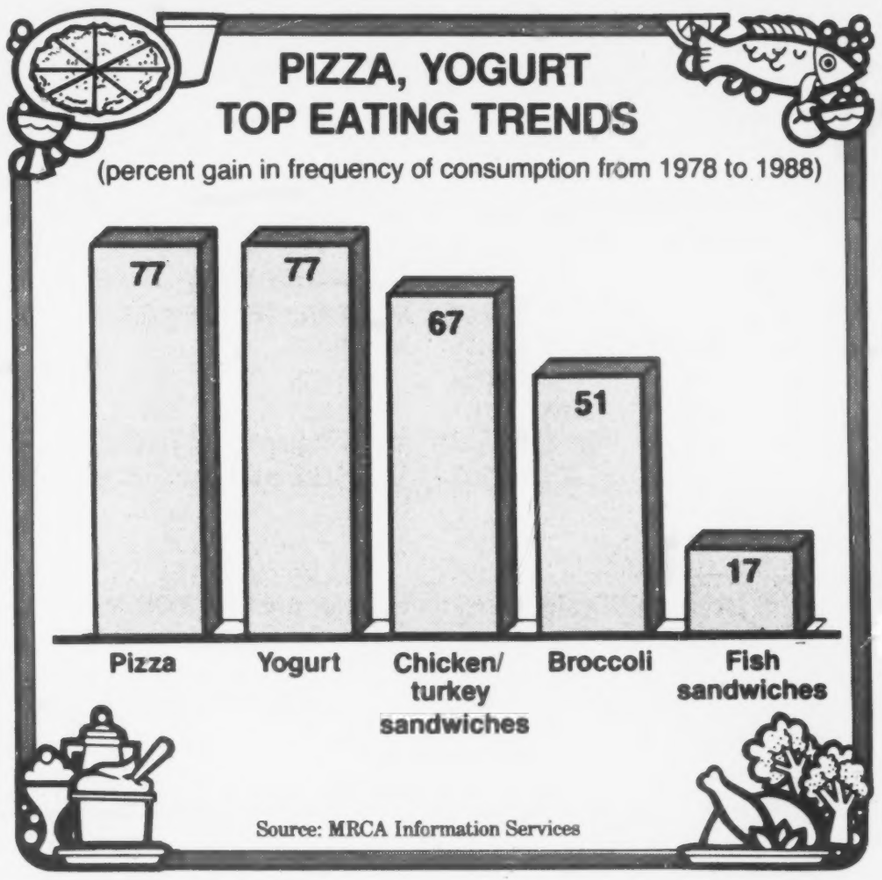
McDonald's booked $8.1 million in gains on the sales of restaurants, up 76 percent over proceeds from asset sales recorded in last year's first quarter. And tax benefits related to certain foreign operations trimmed McDonald's effective income tax rate to 37.6 percent from 38.8 percent a year ago.

On the downside, higher average debt levels resulting from expansion and reinvestment, the consolidation of McDonald's Spain and Hong Kong affiliates, and higher interest rates pushed interest expense up 27 percent, to $72.7 million, for the quarter.

And margins at company-operated restaurants shrank to 16 percent of sales in the first quarter of 1989 from 16.4 percent in the year-ago period, Ebeling said, as higher labor, occupancy, and other operating costs offset lower food costs as a percent of sales.

## FACT FILE

*A look at the statistics shaping the industry*




## FOOD PRICE OUTLOOK

# *Drop in beef prices likely by summer*

There are more cattle in feedlots now than had been anticipated at the beginning of the year. Reason: the continuing drought in a number of the cattle-raising states has caused ranchers to move cattle off the range to market. Producers are cutting herds back. Higher than normal heifer population on feedlots bears this out. Look for larger **beef** supplies by June, as animals reach maturity. Beef prices, which have been running about 6-to-10 percent above last year, should start weakening in early June as supply starts to outpace demand.

**Frozen shrimp** prices should hold steady, even if domestic catches are down. Imports have been surging with Red China becoming the largest supplier. Over the past year, state-owned packers have cleaned up their act to meet U.S. standards.

Tight **canned tomato products from California** have driven prices up and encouraged a flood of imports. It seems everyone is getting into the act: Spain (a traditionally large supplier), Italy, Israel, Portugal, Brazil, Venezuela, Turkey, Hungary, Red China and even the Dominican Republic. California canners plan a larger pack this year than last, but that will depend upon nature. Meanwhile, there may be another price hike before the new pack.

The **iceberg lettuce** harvest has moved from the dessert areas back to the Central California Coast, with supplies strong and prices seasonally low.

Cooler weather along the coast has slowed **strawberry** production, which had been accelerated in early April by unseasonably warm weather.

There's a record acreage in the state, with lower production in the Northwest, which may drive up **frozen berry** prices. But larger than usual Mexican frozen berry imports may hold a ceiling on pricing.

— **Patt Patterson**

## NRN FINANCIAL DIGEST

### Dairy Mart managers mull LBO

ENFIELD, Conn. — Dairy Mart Convenience Stores Inc. said certain senior managers, including chairman and principal shareholder Charles Nirenberg, are considering a plan to acquire the company in a leveraged buyout for around $15 a share.

On the day of the announcement, Dairy Mart's Class A stock rose $4.75, to $13.75, and its Class B stock rose $3.25, to $13.50, in national over-the-counter trading.

Nirenberg and his family owns almost 1.5 million of the company's 2.3 million Class B shares, giving them control of about 60 percent of its voting power.

### Uno lifts profits 21 percent

BOSTON — Uno Restaurant Corp., which operates and franchises a chain of full-service pizza restaurants, said improvements in same-store sales and margins fueled a 21-percent increase in net income, to $1.3 million, on a 41-percent rise in revenue, to $19.4 million, for its first half ended April 4.

The 21-percent year-to-year gain in final net includes a change in accounting that added $120,000 to the bottom line in the same period last year.

Comparable-store sales advanced 8 percent for the six-month period, the company said, and operating margins widened to 11.9 percent of sales from 11.1 percent.

For the second quarter, net income jumped 21 percent, to $650,000, on a 37-percent rise in revenue, to $10 million.

Uno operates 28 Pizzeria Uno restaurants and franchises 34.

### Karcher buys 10 Wendy's units

ANAHEIM, Calif. — Carl Karcher Enterprises Inc., which operates and franchises the Carl's Jr. restaurant chain, said it has purchased 10 Wendy's units from Wendy's of Tucson, a franchisee of Wendy's International.

The price for the sites, all of which are in Arizona, was $3.1 million, Karcher said.

Karcher plans to convert the properties to Carl's Jr. restaurants. The changeover will take from 60 to 150 days, the company said.

Eight of the newly-acquired units are in the Tucson area, with one each in Flagstaff and Prescott.

### National buys 75 Southland stores

DALLAS — National Convenience Stores Inc. said it has closed a deal to buy about 75 of Southland Corp.'s convenience stores in the San Antonio area for an undisclosed sum.

Southland operates a system of more than 7,000 7-Eleven and other convenience stores. National's system numbers about 1,120.

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 62

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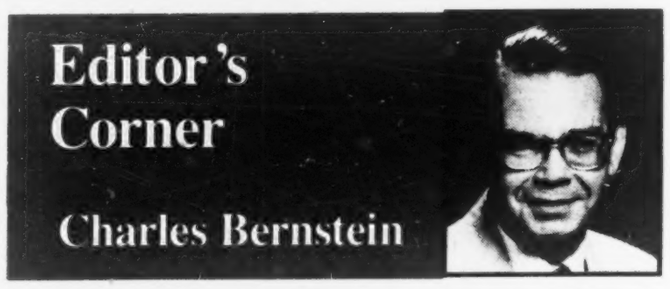
# The smoking issue: A fierce dilemma

Smoke is still blowing in non-smokers' faces at restaurants, as Nation's Restaurant News Midwest editor Carolyn Walkup emphasized in a recent column. She asserted that operators and employees alike "show an appalling lack of sensitivity to the rights of non-smokers."

Walkup observed that "since few operators have voluntarily set aside no-smoking sections, local governments are increasingly passing no-smoking ordinances to protect non-smokers from the proven dangers of inhaling second-hand smoke." She added that "some operators are having trouble accepting the laws."




No-smoking sections, which sometimes are smaller than smoking sections, too often "are back in some dark corner next to the kitchen," Walkup asserted. And with smoke blowing from one (open) section to another, she noted, "some operators are doing a much better job of separating smoking and non-smoking sections with dividers or walls."

Walkup's points are well taken and in effect dramatize a serious dilemma facing restaurateurs today. For the most part, they want to be good citizens so that their customers will return. This means providing both no-smoking and smoking sections and thus — at least in theory — offering freedom of choice, whether mandated by law or not.

Non-smokers, now a solid majority in America, sometimes insist that all smoking be banned for their own welfare. Airlines have already prohibited smoking on flights of less than two hours and on certain other trips. This issue is so volatile that it has led to flareups and even fights started by would-be smokers on no-smoking flights.

Anyone who is en route to the rest room and almost chokes on the dense smoke emanating from a smoking section in the back of an airplane will not appreciate the fumes. An updated air-conditioning system that filters out the smoke would be an obvious solution.

During a smoking ban in Beverly Hills last year, restaurateurs reported that sales were off 20 percent to 30 percent as cigarette and cigar smokers apparently boycotted the restaurants en masse and took their business elsewhere. That ban finally was rescinded for freestanding restaurants. Ironically, it is still in effect at hotel restaurants.

Portland, Ore., and other cities are also threatening to enact smoking bans. This government-mandated legislation again poses a threat to the entire industry, but it also presents a challenge for restaurateurs to take action first.

Still, no matter how one looks at the problem, it is a complex issue that defies easy solutions for restaurateurs or customers.

"Free-choice" proponents, who would abolish no-smoking sections, emphasize that modern ventilation systems filter the smoke from restaurants, thereby making such sections unnecessary. This point has some validity since the best heating and air-conditioning units balance the air from the kitchen and the dining room, theoretically clearing out smoke from both areas.

But not all systems are so modern, and many non-smokers prefer a guarantee that they can at least sit in a no-smoking section without any smoke blowing on them. Yet inevitably non-smokers are seated at the border of a smoking section, where they are vulnerable to "floating" smoke.

Setting aside a no-smoking area is a noble enterprise, but it severely limits a restaurant's flexibility. Most operations achieve the bulk of their sales in peak meal periods typically totaling no more than six hours daily. But their options are cut when they designate specific no-smoking areas.

It is hazardous to project which proportion of customers will want no-smoking, smoking, or any type of seating (to avoid a long wait or just on general principles). The net result can be disgruntled patrons and unhappy restaurateurs.

One possible solution would be to deploy movable smoking and no-smoking signs, with the areas varying according to the time of day or night and the traffic. The problem is that every so often a health inspector comes in and spots this technique as a violation.

In short, there is no easy way to please health-conscious non-smokers and still protect smokers' rights. We believe that the rights of both groups are best guarded by providing smoking and no-smoking sections — even with their imperfections.

## LETTERS

### *Widener readies students for hospitality careers*

Editor, NRN:

I enjoyed your Editor's Corner column about the management schools, and I was very proud to see Widener University's School of Hotel and Restaurant Management listed as one of the Hotel Restaurant Institutions. Unfortunately, the only thing mentioned about the school was its name.

Widener enjoys the advantages of a newly constructed academic center with state-of-the-art teaching kitchens, production kitchen and dining room, computer labs (with 35 IBM Personal System/2 Model 30 computers), front office lab, and lecture halls.

The combination of exellent faculty, first-class facilities, a strategically important location in America's Northeastern corridor, and a program available through a fine university results in a school that is recognized as a leader in hospitality education.

Widener's curriculum for hotel and restaurant management is designed to accommodate students with different needs and goals. This is primarily achieved through the careful selection of Hotel and Restaurant Management classes.

The emphasis on restaurant management is parallel with hotel management. Widener offers a fantastic introduction to food preparation and food production and service management, along with electives, such as contract food management and management of wines, spirits, and beers.

The School of Hotel and Restaurant Management offers a four-year bachelor of science degree. Success in the hospitality industry requires substantial professional knowledge, business sense, and human relation skills. For that reason, the curriculum of the School of Hotel and Restaurant Management is designed to produce well-rounded citizens as well as competent managers.

This total program of study prepares students for the broad spectrum of businesses that the hospitality industry provides: hotels, restaurants, hospital and college food services, resorts, country clubs, airline and industrial food services, theme parks, and allied industries.

**— Paul M. Augustus**
Widener University
Chester, Pa.

### *Editorial reinforces need for newsletters*

Editor, NRN:

Your Editor's Corner column on in-house newsletters was timely.

Our company has had a newsletter for many years, so rather than causing me to see the need for such a publication, your thoughts reminded me why it is important. When things become routine, it is sometimes easy to forget the right and real reasons for doing them.

**— Mary L. Cusick**
*public relations director*
Bob Evans Farms Inc.
Columbus, Ohio

### *Great newsletters evolve from cooperation, copy*

Editor, NRN:

I was impressed at the way in which you wrote about the necessity of in-house newsletters in your Editor's Corner.

I am the editor of "Hot Off The Griddle," which is a newsletter directed to the employees of Golden Griddle Pancake House Limited. Golden Griddle is a family restaurant chain with 45 units throughout Ontario, Canada.

What started out to be a simple black-and-white bimonthly newsletter in June 1988 has now evolved into a four-color, 4,000-copy edition.

One thing that I would like to point out to you is that you need not have a journalistic background in order to do a newsletter. You do, however, need the cooperation of many people who are willing to supply you with copy. I think that is the most difficult part of putting a newsletter together.

At Golden Griddle's corporate office, everyone is keen to participate, and each contributor looks forward to seeing his or her name in print.

**— Donna Barrow**
*editor*, "Hot Off The Griddle"
Golden Griddle Pancake Houses
Willowdale, Ontario

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NRA SHOW SPECIAL REPORT

***The Chicago market: A style of its own***

Focus section follows page 30

***Reagan to launch 70th NRA Show***

See story on page F36

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***grill etition***

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NRN photo

**Sherry Delmarter, co-owner and co-founder of the Cowgirl Hall of Fame, with chef Jerry Cox.**

## *Cowgirl Hall of Fame bucks the NY bronco with barbecue and brass*

**By Milford Prewitt**

NEW YORK — The Cowgirl Hall of Fame is as much an act of defiance as it is a barbecue restaurant.

It's a symbol of rebellion against commercial landlords who demand much in rent but give little in return.

It's a slam dunk in the face of restaurant consultants whose market analyses project where a restaurant should go and what the concept should be.

It's an anti-establishment rebuke to city laws that dictate how food can be prepared.

More than anything else, Cowgirl is a rug being snatched from under the macho, cowboy, Hollywood-induced mystique that women never bronco-busted, never helped settle the West, and were best represented by Annie Oakley or Dale Rogers.

*(See **COWGIRL**, page 4)*

# Widening use of coupons clips restaurant margins

**By Rajan Chaudhry**

As the battle for customers intensifies, price promotions at the nation's eating places are escalating from the occasional fix to full-blown addiction.

Although carefully planned coupon programs can boost traffic counts and sales, excessive discounting is eroding margins and undermining pricing structures.

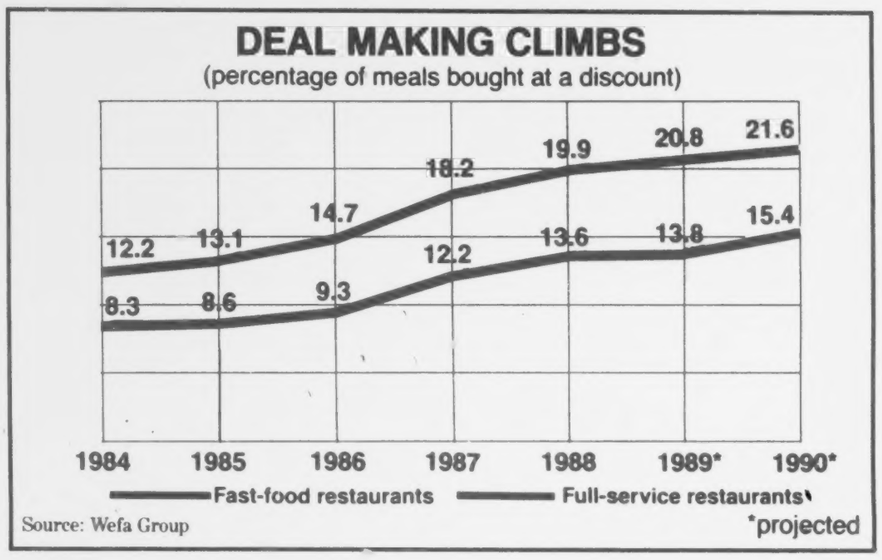
Heavy discounting has already slashed profits at the likes of Wendy's International Inc., Rax Restaurants Inc., and Taco Villa Inc., and it is forcing independent operators into the price-chopping fray.

"Discounting is a quick needle in the arm — a quick shot — but it doesn't last," asserted Leon Gottlieb, president of the Tarzana, Calif.-based restaurant consulting firm bearing his name.

"Price is not the first determining factor in building a customer base," he said. "It's good, speedy service that effects long-term results."

From 1984 to 1988, the pro-

*(See **COUPONS**, page 125)*




# Operators to President Bush: Veto the minimum-wage hike

**By Milford Prewitt**

Food-service operators, citing fears of inflation and a customer revolt, are sending President George Bush a resounding plea to veto legislation raising the federal minimum wage to $4.55 from $3.35 an hour.

**NRN HOT LINE**

By a margin of nearly 5-to-1, callers in an exclusive Nation's Restaurant News toll-free, phone-in poll said yes to the survey question "Should Bush veto the minimum wage?"

Of the 310 persons who called the 24-hour NRN Hot Line to vote and make a statement, 252 (81 percent) were against minimum-wage hikes and urged President Bush to veto the Senate measure.

Fifty-four callers (17 percent) wanted the president to approve the minimum-wage-hike legislation.

Four callers, middle-of-the-roaders, saw merit on both sides of the issue but did not vote.

The bill, which has passed

*(See **OPERATORS**, page 125)*

# Domino's Pizza deep-dishes it out

**By Rick Telberg**

ANN ARBOR, Mich. — Domino's Pizza's $25 million gamble on pan pizza is turning up the heat on a bitter rivalry among national titans that has already gone beyond the flash point.

The 5,000-unit delivery-only chain's earlier-than-expected national rollout comes at a time when segment leader Pizza Hut and third-place player Little Caesar's have taken the pizza wars from the nation's airwaves to a courtroom in a legal fight over the phrase "two great pizzas, one low price."

"The competition is boiling," said Pizza Hut spokesman Roger Rydell. "And Domino's pan pizza is only going to make things hotter."

Domino's deep-dish thrust is the company's first new menu item to be rolled chain-wide since chairman Thomas S. Monaghan founded the concept built exclusively on delivery 29 years ago.

"It's a pretty scary thing," Monaghan said. "The potential is that it could complicate our system, which is based on simplicity."

The stakes are huge: By most estimates, piz-

*(See **DOMINO'S**, page 125)*

**FOOD WATCH**

## *What's that smelt?*

CHICAGO — The smelt are running in Lake Michigan, and several local restaurants are serving them, although most of the catch comes from cleaner waters in Canada.

Binyon's $6.95 smelt special includes a large portion of floured and pan-fried smelt, hash browns, and coleslaw. Greek Islands West in Lombard serves rice, mixed vegetables, or a potato with its smelts for $6.25.

Smelts in appetizer portions are served at Shaw's Crab House downtown and Shaw's Blue Crab in Deerfield. Most smelt specials will end sometime in May.

**— Carolyn Walkup**

CHARLES BERNSTEIN ON INS TERROR TACTICS — Page F3

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# NEWS DIGEST

## McDonald's joins fray with credit card test

CHICAGO — McDonald's has joined the pack of fast feeders racing to find a feasible way for patrons to pay with credit cards.

The world's largest restaurant company recently began accepting the Visa card at three locations here and in the suburbs.

Other fast-food chains currently testing credit-card payment systems include Arby's, Wendy's, and Skipper's. Those chains report that new technology enables credit-card transactions to be handled in a fraction of the usual time.

## Brown Derby of Ohio sues Disney's new theme park

ORLANDO, Fla. — Walt Disney Co., the zealous guardian of its own copyrighted names and characters, has been sued for $25 million for using the name "Brown Derby" for a restaurant at its new Disney-MGM Studios theme park here.

Brown Derby Inc., the Cleveland, Ohio-based operator of a 36-unit steak-house chain of that name, filed the copyright infringement suit in U.S. District Court here. The chain, which has units in Florida, claims national rights to the Brown Derby name.

A Disney spokesman said rights to the theme park's operating replica of the famous Hollywood restaurant, birthplace of the Cobb salad, were legally obtained from Los Angeles Brown Derby owner Walter Scharfe.

## Karcher trial ordered after deal collapses

LOS ANGELES — Carl N. Karcher, founder of the Carl's Jr. fast-food chain, was ordered to stand trial June 6 on insider-trading charges after the collapse of a proposed settlement of a civil suit stemming from the alleged misdoings.

The tentative deal, which reportedly called for Karcher to pay a $332,000 fine, fell apart when federal prosecutors refused to guarantee that criminal charges will not be filed against the Carl Karcher Enterprises chairman.

Six of Karcher's relatives, co-defendants in the suit, would also have been required to pay $332,000. That was the amount they saved by selling company stock after Karcher allegedly tipped them in late 1984 that the Anaheim, Calif.-based firm would report a 50-percent earnings decline.

Lawyers believe a settlement still might be reached, according to a published report. The suit against the seven defendants could draw fines totaling $2.3 million.

## Pizza Hut lands grant to hire 2,000 workers

WICHITA, Kan. — Pizza Hut said it has been granted a $500,000 federal grant to employ 2,000 severly disabled workers in 800 Pizza Huts during the next three years.

The workers will fill a number of positions in both dining rooms and kitchens. Pizza Hut said it will also restructure jobs to meet the needs of disadvantaged employees.

The funds have been granted by the U.S. Department of Special Education and Rehabilitation.

## ShowBiz gives Hallwood the rights to 13 units

IRVING, Texas — ShowBiz Pizza Time Inc., the operator of the ShowBiz and Chuck E. Cheese pizza-and-games chains, said it has granted development rights for 13 restaurants to the Hallwood Group, a large shareholder and longtime backer of the concern.

Hallwood, a Cleveland, Ohio-based investment company, guaranteed certain loans that were granted to ShowBiz to finance its recent spinoff from Integra, a hotel operator also based here. Earlier, Hallwood had financed the turnaround of Integra, which was formerly known as Brock Hotel Corp.

Hallwood has never operated a restaurant.

## National buys 12 kitchens to grow pizza business again

PITTSBURG, Kan. — After failing in its attempt to acquire a new concept, National Pizza Co., the largest franchisee of Pizza Hut, is growing its pizza business again through the acquisition of 12 delivery kitchens in Birmingham, Ala. Terms were not disclosed.

The company here said it would convert the units to Pizza Hut delivery outlets within six months. It did not identify the present chain affiliation of those outlets.

Earlier this year, in an attempt to ensure its longtime expansion prospects, National sought in vain to acquire Skipper's, a quick-service seafood chain based in Bellevue, Wash. At the time National said its growth in the pizza segment was stymied by an aggressive acquisition program being waged by Pizza Hut, which is a holding of cash-rich Pepsico.

## Fleisher, former RA exec, succumbs to heart attack

NEW YORK — Larry Fleisher, a lawyer and accountant who was executive vice president of Restaurant Associates in its glory days of the 1950s and '60s, died of a heart attack here earlier this month. He was 58.

A highly regarded labor leader, Fleisher gained fame for organizing the National Basketball Association Players Association in 1964 and serving as its chief for many years. Fleisher stepped down as Players Association chief last October after renegotiating a strong new contract.

## Krause plans entry into Mexican field

NEW YORK — Richard Krause, the much-praised California chef here, said he would cast his toque into the burgeoning upscale Mexican market by converting his Melrose restaurant into a place featuring the cuisines of Mexico's Ixtapa region.

The restaurant, to be called Ixtapa, will be the latest in a growing field of restaurants here featuring Mexican foods that are a far cry from the tacos and burritos. Recently, Ark Management opened its first Mexican place, called Gonzalez Y Gonzalez. El International, a tapas place, was recently converted into a Mexican hybrid called El Teddy.

Krause introduced many New Yorkers to California cuisine at his now-closed Baton's.

## Tower set to unveil tropical restaurant

SAN FRANCISCO — Chef Jeremiah Tower, a pioneer in the American regional cuisine movement, said he would open his second restaurant here, the tropical-themed Speedo 690, this month.

Speedo 690 is situated in the remodeled Speedo Carburetor Shop, around the corner from Stars, Tower's American brasserie.

The new restaurant will serve the "foods you always wanted to have at your favorite beach resort but could never get," said one Tower aide. The chef, she said, will create a "new style" of food by combining flavors from such places as India, Singapore, Hawaii, the Caribbean, and Morocco.

## Winners rebuffs the NYSE after trading accelerates

BRENTWOOD, Tenn. — Winners Corp., operator of the Mrs. Winner's fried-chicken chain, has declined a request from the New York Stock Exchange for a possible explanation of why Winners shares were trading at a dizzying pace.

On a recent day about 129,000 Winners shares changed hands. That compares with an average volume of 6,040. The NYSE asked Winners to issue a statement citing any corporate matters that might have supercharged trading activity.

A few weeks beforehand Winners said it had retained an adviser to explore such "strategic alternatives" as selling Mrs. Winner's.

FINANCIAL NEWS

# Chili's profits leap 67% on 19.5% rise in revenues

**By Peter Romeo**

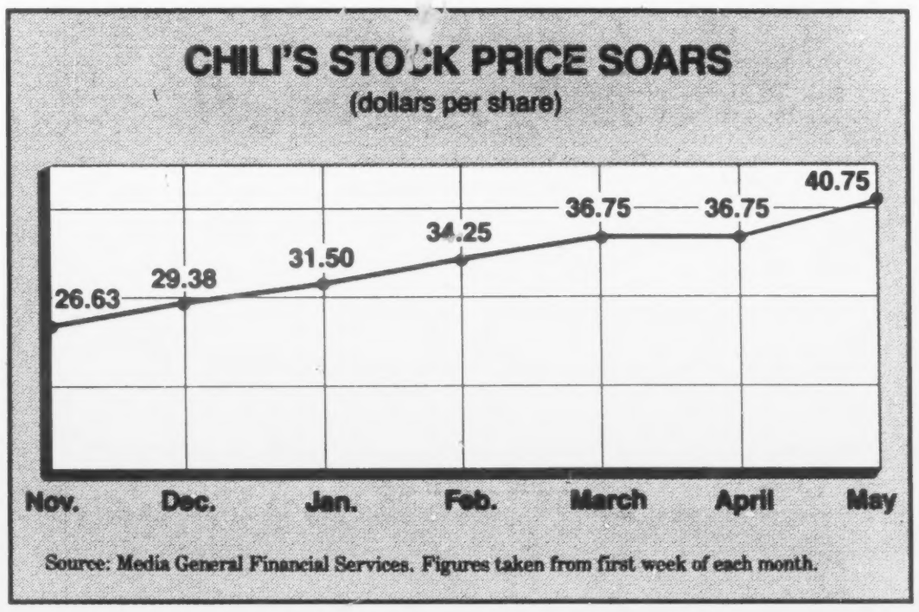
DALLAS — The management of Chili's Inc. has burnished its sterling reputation by squeezing a 67-percent spurt in net income from a 19.5-percent rise in revenues for the third quarter ended March 31.

Earnings for the quarter totaled $3.1 million, on revenues of $69.4 million, the dinnerhouse operator said.

Management said it would distribute 50 percent of the net income as a cash dividend to shareholders.

The company attributed the disproportionate rise in profits in part to a cost-containment crusade under way within the 165-unit Chili's chain.

"We have a number of programs in place to manage the restaurants more efficiently, primarily in the area of utility and labor management," Jim Parish, Chili's chief financial officer, said in an interview. "We have been experiencing increases in our store profit margins." At a recent meeting with portfolio managers, he pegged that increase at 1.2 percent.




The chain has adopted an in-store computer package that facilitates labor scheduling. And Chili's is combatting creeping commodity costs by coordinating a back-of-the-house push to cut food wastage. For instance, kitchen staffs are rewarded if they lower the number of meals they overcook and have to discard.

"We've also been helped on the utilities side because fuel costs have been falling, and the utility companies have passed that savings along to us," Parish said.

Revenue gains were driven by the opening of six company-run Chili's units and one Grady's outlet during the quarter.

"Usually it takes a while for a new restaurant to come up to the speed of a seasoned restaurant, but the units we've opened this year have been

*(See **CHILI'S**, page 124)*

# Pepsico's earnings rise 46%

**By Rajan Chaudhry**

PURCHASE, N.Y. — Buoyed by gains from its Pizza Hut, Kentucky Fried Chicken, and Taco Bell operations, Pepsico Inc. uncapped a 46-percent increase in net income on a 19-percent year-to-year rise in sales for its first quarter ended March 25.

Pepsico, a restaurant, soft-drink, and snack foods giant, boosted its net income to $165.1 million for the quarter, while sales advanced to nearly $3 billion, the company said.

Restaurant group earnings soared 43 percent year-over-year, to $66 million. And restaurant sales rose 27 percent, to $1.07 billion.

Marketing programs, improved delivery business, and strong international results teamed to make Pizza Hut the top performer in Pepsico's restaurant portfolio, the company said.

Pizza Hut booked profits of $37 million, a 64-percent increase over the same period's profits last year, and recorded a 25-percent gain in sales, to $515 million. Comparable-store sales for domestic company-owned Pizza Huts leaped 13 percent year-over-year, Pepsico said.

Taco Bell, the company's fast-food Mexican entry, posted a 26-percent gain in profits, to more than $11 million, on a sales hike of 29 percent, to $280 million.

Pepsico attributed Taco Bell's improved results to the Mexican chain's new reduced-price menu. The revamped menu helped boost comparable-store sales for U.S. company-owned units by 18 percent, Pepsico said.

KFC turned in the weakest comparisons of the three Pepsico restaurant divisions as higher chicken and labor costs crimped profits at domestic units.

Despite the margin pressures, KFC International's sales increased 22 percent, and earnings rose 8 percent for the March-ended quarter. And same-store sales at company-owned domestic KFC units advanced 7 percent, Pepsico said.

FOOD PRICE OUTLOOK

## *Cod and scallop supplies lower*

Although the strike of Newfoundland fishery workers didn't disrupt the market as much as had been expected, supplies of frozen **cod** blocks and slabs are dwindling. On the other hand, prices have remained fairly level for the past three months.

There are two reasons for the lack of market reaction.

One is that Canadian sources had built up fairly strong supplies before the strike. They are still shipping. At the same time, U.S. processors had good inventories, which are now being pulled down.

Even with the settlement of the strike, the major effects won't show up for some weeks when supplies are further depleted. Don't expect floods of blocks coming in soon, because it takes time for the fishing fleets to get up to full production, and they have missed one of the most productive fishing periods.

Heavy **scallop** inventories have dwindled. No shortage exits; supplies are merely coming into line with demand, which is still strengthening. Even though Iceland won't be producing until well into June, good supplies are available from other countries. Nonetheless, expect prices to move up with stronger demand.

Look for tight supplies for most frozen **vegetables** through the rest of the year. Stocks are so depleted from last year's drought-affected packs that processors will probably keep prices high and may even allocate product. Food-service sizes are short in a number of vegetables, especially **peas** and **green beans.**

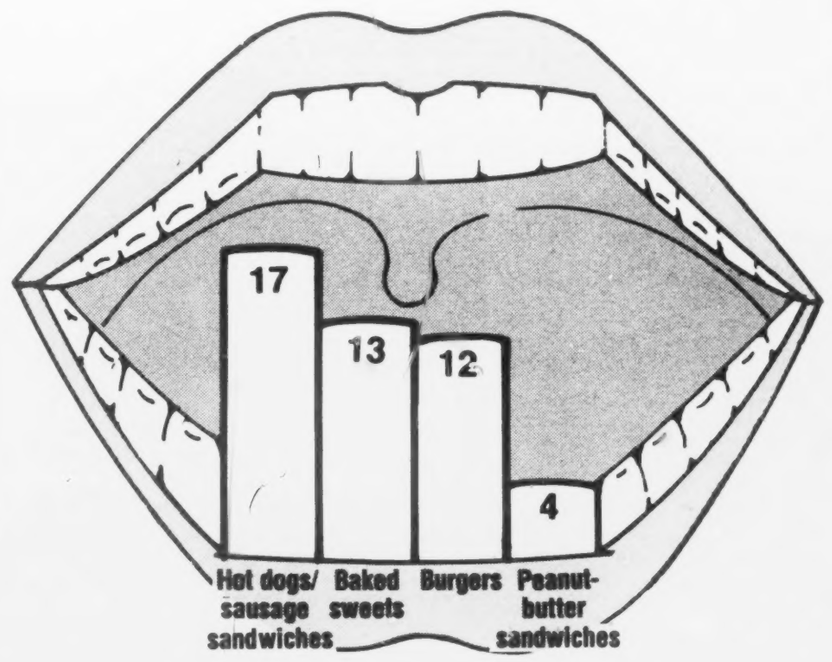
**— Patt Patterson**

FACT FILE

*A look at the statistics shaping the industry*

### HOT DOGS PLAY KETCH-UP

(percent decline in frequency of consumption from 1978 to 1988)




Source: MRCA Information Services

NRN FINANCIAL DIGEST

## National Pizza expects 11% profit rise

PITTSBURG, Kan. — Despite heavy losses resulting from its aborted buyout of Skipper's Inc., National Pizza Co. said it expects to report an increase in net income of more than 11 percent on a sales gain of more than 18 percent for its year ended March 31.

National Pizza, Pizza Hut's largest franchisee, projected net income would exceed $9.7 million on net sales of about $141.8 million for the year.

Expenses related to the company's ill-fated tender offer reduced fourth-quarter pretax income by more than $400,000, it said.

The company was forced by franchisor Pizza Hut to abandon its efforts to buy the Skipper's fast-food seafood chain in March.

National Pizza, which operates 321 Pizza Hut units, also said the quarter included reserve additions of $300,000.

## Discounting takes toll on Taco Villa

DALLAS — Taco Villa said bad weather and heavy competitive discounting landed the operator and franchisor of Mexican fast-food restaurants $507,000 in the hole for its first quarter ended March 29.

In last year's first quarter, the company booked earnings of $6.4 million after a $6.5 million aftertax gain on the sale of its Applebee's restaurants.

Sales and closings of restaurants slashed revenue for the latest quarter 33 percent, to about $12 million, the company said.

Taco Villa operates and franchises 148 Del Taco and Taco Villa restaurants.

## Asset sales fuel Holiday gains

MEMPHIS, Tenn. — Proceeds from the sale of hotels and property helped boost Holiday Corp.'s first-quarter net profits to $34.4 million, compared with a loss of $18.8 million for the year-ago period.

Gains on the sale of about 30 hotels and property, which totaled $57.6 million, hiked operating income 53 percent for the quarter ended March 31, to $124.9 million, the company said.

Because the company owned fewer hotels, first-quarter total revenues dipped 7.3 percent, to $367 million, compared with the $396 million reported for the year-ago period, Holiday said.

Interest expenses declined 17 percent, to $62.4 million, because of lower debt levels and the addition of notes received as part of the proceeds from the sale of the company's international assets last May.

Holiday's brands include Holiday Inn, Hampton Inn, Embassy Suites, Homewood Suites, and Harrah's.

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 126

# FOCUS | OPINION

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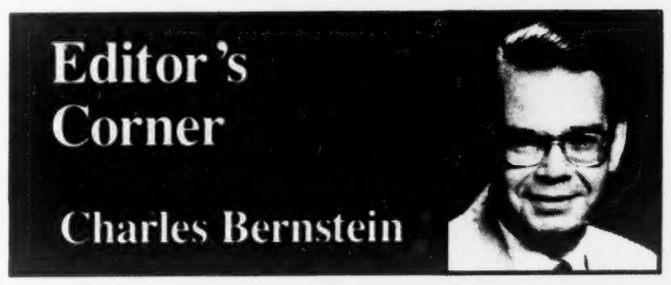
# INS terror tactics harass operators

The 2-year-old Immigration Reform Act has turned into a nightmare of fines, threats, non-stop paperwork, and overzealous enforcement by the Immigration and Naturalization Service "trying to catch illegal aliens working at restaurants."

This constant harassment, intended to prove that legalities will be upheld, exacerbates the labor crisis and makes scapegoats of restaurant owners. Unfortunately, the smaller independent restaurants are the most vulnerable and the hardest hit.




We have now learned of a particularly terrifying case that has surfaced, dramatizing how things can get out of control under the new regulations. One evening earlier this year, INS agents entered Waikiki's Black Orchid restaurant with guns drawn, herded customers out, and detained employees for hours.

The agents reviewed every possible employee record. Their findings on any violations: absolutely zero.

As Gary Hotchkin, executive director of the Hawaii Restaurant Association, put it: "The powers vested in the INS are being seriously misused. How ironic that an agency charged with the security of the borders of the United States can charge business for the agency's own incompetence. An investigation is needed on the constitutionality of vesting citation powers and determination of fines in one agency."

Hotchkin asserted that the agents' strong-arm actions at the Black Orchid restaurant "come close to Gestapo tactics." He has pleaded with Sen. Daniel Inouye, D.-Hawaii, and Rep. Patricia Saiki, R.-Hawaii, to "assist us in returning the Gestapo to the history books, giving the INS greater responsibility for border security, reducing their incompetence in that area of primary responsibility, and initiating a paperwork reduction act to void the I-9 form."

A number of restaurateurs are convinced that the I-9 forms are totally befuddling and the biggest waste of time ever invented.

One harried Texas restaurateur calls INS agents "power-mad bureaucrats operating totally beyond the pale of reasonable restraints on government activities."

In effect, the INS agents seek to terrorize a handful of restaurant owners so the word spreads and fear is thrown into operators on the "illegal aliens" issue.

Another restaurateur who is telling the world that "I'm mad as hell, and I'm not going to take it anymore" is Chuck Mahowald of Ponaks restaurant, Kansas City, Mo. He has filed a court action protesting "an unfair situation" in which the INS assessed $6,900 in penalties for purported immigration law hiring and bookkeeping violations. The INS had arrested an "illegal alien" who was a janitor at Ponaks, a Mexican restaurant.

For those who think that the Immigration Reform Act just means threats and harassment, consider that almost $200,000 in fines has been levied against restaurateurs in the 17 months that the law has been enforced.

Furthermore, restaurant owners and managers are being saddled with the endless paperwork of I-9 forms, where they must certify that they have examined the documents of each employee hired and that each has a legal work status.

If this turns out not to be the case, an owner is subject to fines and potential jail terms — even (as is usually the case) when he or she honestly believed that the employee had legal work status. What tends to happen is that less experienced managers fail to properly interpret the complex INS forms.

At the very least the owners are blamed for something over which they do not have full control, and at the most they suffer fines, jail threats, and humiliation by the INS. All this occurs while the beleaguered restaurateurs are again snowed under in a veritable avalanche of bureaucratic immigration and tax paperwork from the government.

"Why, in this melting pot of America, are INS agents trying to fine us for giving opportunities to people, some of whom are doing jobs that other people simply won't do?" an Indiana restaurateur asks.

We don't have the real answer to that question. But it would be better for all concerned if the INS concentrated on its primary obligation of preventing illegal aliens from crossing the Mexican border into the U.S., instead of making restaurateurs the scapegoats for the INS' own failings.

## LETTERS

### *Environmental pollution is everybody's problem*

Editor, NRN:

While I am involved in the restaurant industry, I also am concerned with environmental issues. I understand that some of your readers may not agree. But I feel that, as an objective publication, you should give equally report on both sides.

Therefore, I would like you to print this letter in response to the two April 17 pollution-related articles that appeared in Nation's Restaurant News. The subject was the smog-control regulations in Los Angeles and a ban on non-recycleable packaging in Minneapolis.

I must ask: What is wrong with us? Are we so concerned with the almighty dollar that we don't even care about the quality of the air *we* breathe, much less about our customers?

I was appalled to read that the California restaurants would sacrifice the quality of their beautiful state, rather than spend the money on emission controls. I understand how expensive it is, but we have only ourselves to blame. If we had paid attention and taken smaller steps 10 years ago, it wouldn't be costing us so much today!

Regarding the plastic packaging ban in Minneapolis, I salute the restaurants that are taking steps to comply. Their concern results in good public relations, too. But the closing statement by James Theros (chairman of Rudolph's Bar-B-Que in the Twin Cities) reflects the more common sentiment: "It's another burden placed on the hospitality industry."

Please, let's stop feeling victimized. It's a fact that fast-food packaging is one of the major causes of America's huge garbage problem. Let's take responsibility for the problem and show some leadership and start to change it!

The restaurant industry, as well as the entire country, must stop thinking only about short-term profits and focus instead on the long-term consequences of our actions, or there will be *no* profits in the future!

— **Barbara Mueller**
Milwaukee

### *'Little guy' must speak up to fight unfair legislation*

Editor, NRN:

Your Editor's Corner, "The little guy: The ultimate victim," was right on target again. For those of us who can only have the middle of the night for reading any current news, your clear and concise reports are always appreciated.

I agree with you and Tom Kershaw that, if we do not get involved in the political process, we may lose our business to government. At the same time, independents that can least afford mandatory health care or parental-leave benefits (of which I know at least 15 in our small resort town) are also those that can least afford the time.

I would suggest that Nation's Restaurant News start a campaign, perhaps with a coupon section in your newspaper, that can be easily completed and mailed to senators and congressmen as well as copied and passed on to other independents.

The responses from the "little guy" they are trying to "help" would overwhelm our legislators.

— **Marta Figel**
*president*
On the Veranda Restaurant
Highlands, N.C.

### *'21' Club may be doomed unless ownership changes*

Editor, NRN:

In the "New York City's Golden Oldies" article, in the March 13 issue, you credited Ken Aretsky with ownership of "21."

However, that now dubious credit should go to Marshall Cogan, whose ill-advised changes at this once-venerated institution have wrought nothing but trouble, such as endless chef turnover, ex-employee lawsuits, and management shake-ups.

Unless something is done soon to remove him and change ownership so that this unique establishment can be restored to its former greatness, it is doomed to be but a memory.

— **Sydney Palmer Waud**
*president*
Four Star Cuisine, New York

# Coupon use erodes margins

(Continued from page 1)
portion of fast-food meals bought at a discount grew 63 percent, to about 20 percent of meals, while the number of full-service meal deals soared 64 percent, to 13.6 percent of meals, according to the Wefa Group, a Bala-Cynwyd, Pa.-based economic forecasting firm.

By 1990 Wefa expects the level of discounting and couponing to advance to 21.6 percent of meals at fast-food restaurants, an 8-percent rise over 1988 levels, and to 15.4 percent of meals at full-service restaurants, a 13-percent gain over deals made last year, said senior economic analyst Sally Yanchus.

Companies prone to discount abuse are usually trying to compensate for bigger marketing and operations problems, said Gottlieb, a former International House of Pancakes executive.

Wendy's, based in Dublin, Ohio, knows the ugly side-effects of discounting.

For its first quarter ended April 2, couponing added $12.3 million to company restaurant operating costs and slashed Wendy's pretax income by 77 percent, to $1.3 million.

"We really want to back off the couponing as soon as possible," said Wendy's chief executive, James Near. "We believe we'll be able to do this with some of the new marketing we have. But if our traffic starts to decline, we're going to stay right with the discounting. We're going to be as aggressive as we have to be in protecting and building our market share."

"We have to stand in there and fight," Near said, "and sometimes it's very expensive for us to do that, but we've learned that once you give up that customer, it's very difficult to get him back."

Rax Restaurants Inc., trying to bounce back from a disastrous rollout of its extended salad bar, is also couponing heavily to promote a new line of larger sandwiches. Its promotions include roast beef sandwiches, regularly $1.49, for 79 cents each.

Couponing contributed to Rax's $5 million first-half loss, said company president Larry Ritter.

"These are some of the toughest times we've ever been through," Ritter said.

Dallas-based Taco Villa Inc., which operates and franchises 148 Del Taco and Taco Villa Mexican restaurants, lost $507,000 in the first quarter largely because of "heavy competitive discounting in some key markets," said chief executive William L. Hyde Jr.

Since its purchase by London-based Grand Metropolitan PLC in January, Miami-based Burger King Corp. has tried to offset a lack of marketing direction by relying extensively on price promotions to hold its share of traffic.

Burger King is offering customers who buy a Whopper at full price a second Whopper for 35 cents.

Until the company's new marketing head, Gary Langstaff, finds a new national advertising agency to replace axed NW Ayer, Burger King's marketing is likely to remain tactical rather than strategic.

Over the next two years, increases in couponing at independent restaurants will outstrip gains in meal deals at chain operations, according to Wefa projections.

George Cascone, owner of Cascone's Italian Restaurant in Kansas City, Mo., and Johnny Cascone's Italian Restaurant in Overland Park, Kan., is one of the independents who are planning to expand couponing.

Cascone, who offers Monday-night dinner coupons, will widen his program to include a dinner special that may run several nights a week, he said.

Each Monday night the coupons bring in 70 to 110 diners who otherwise would not visit the restaurant, he said.

"We thought to generate more early-hour traffic, we'd do an early-bird dinner," Cascone said.

He also noted that his rivals are taking similar steps to divert traffic to their restaurants.

"We're in a competitive market," Cascone said. "I'm noticing in the paper that other restaurants are running either coupons or early-bird dinners more frequently."

Cascone's Monday dinner special features spaghetti or lasagna, with a salad, beverage, and dessert for $10.95 vs. an average per-person dinner check of about $12.60.

# Operators want wage hike vetoed

(Continued from page 1)
both the Senate and the House, recently moved to a congressional reconciliation committee, which will iron out compromises that might assuage President Bush before the proposal reaches his desk.

Jeffrey Prince, a lobbyist for the National Restaurant Association, said Bush recently invited Bill Fisher, NRA executive vice president, and other food industry executives to the White House and assured them that, as the measure stands now, he is determined to veto it.

Those opposing an increase in the minimum wage defended their positions with a number of comments:

- Sixty-three feared that if the legislation passed, it would trigger an unstoppable surge in inflation.
- Fifty-eight argued that menu prices would increase and patronage would decline.
- Thirty-six complained that the typical food-service worker was either unworthy of a wage raise or had access to other income.
- Thirty-two said that if the bill is passed, the wage hike would force operators to lay off employees on the lower rungs, the very people the bill is designed to help.
- Twenty-one said the bill would require bottom-to-top staffwide salary upgrades from dish washers to chefs.
- Sixteen said an increase in the minimum wage would devastate small-business people.
- Twelve thought market conditions, not government, should dictate wage levels.
- The remainder just called to say no.

The 54 callers in favor of minimum-wage hikes, the majority of whom were employees at fast-food establishments and usually declined to leave their names, said they found it difficult to live at their current salary levels.

But the reactions of those opposing an increase were far more numerous.

"The market place should really set the tone for the minimum wage," said one caller who did not leave his name. "There are a lot of fast-food operations already paying $5, $6, and $7 an hour because they can't find people.

"Not only that, very few of the people who earn minimum wage are heads of households, trying to earn a living. They are high-school kids and women working part-time to get out of the house."

Santo Loparo, owner of Loparo's Restaurant in Mayfield Heights, Ohio, said too many workers don't deserve a minimum-wage increase.

"I have a lot of young high-school people working here part-time," Loparo said, "and they really don't know what they are doing most of the time.

"I don't think they deserve $3.35, let alone $4.55, per hour. It's real tough on us small restaurateurs to make it with this higher rate."

Richard Phelan, owner of the 15-unit Gingerbread Man, a family restaurant chain in Pennsylvania, agreed.

"If we were getting better employees, educated, trained, and willing to work, we would be willing to pay more," Phelan said. "The fact is we are not getting better employees or people with better attitudes."

*'If we were getting better employees, educated, trained, and willing to work, we would be willing to pay more,' Richard Phelan said.*

Bob Deeds, a Dallas Chili's manager, said a wage hike would force menu prices to rise and service to decline.

"Bush has got to veto this, because all we are going to see is a price increase and a loss of service," Deeds said. "It's going to be a wash, and we will not have accomplished anything."

Randy Verner, manager of Bonanza Family Restaurants [unrelated to the Bonanza steak-house chain] in Franklin, Tenn., said that even though the minimum wage has not risen in several years, he cannot support an increase.

"I know the minimum wage has not been increased in several years, but competition has driven the price of labor up anyway," Verner said. "It will be very inflationary, and the hike will be passed on to the customer; that's who's going to take it on the chin."

But Brenda E. Levy, a mid-fortyish woman who was forced to drop out of an apprentice chef program in Maryland because she could not live on the minimum-wage stipend she was earning in the program, was one of the 54 who hopes Bush does not veto the bill.

"I think members of the restaurant industry should be ashamed of the lack of pay for its personnel and the miserable low wages and lack of benefits that are out there, yet they want loyalty and long hours and hard work," Levy said. "They take home good profits and live comfortably while their personnel have to take two and three jobs just to make ends meet."

Nine callers favoring a minimum-wage hike were operators or managers who thought a higher wage would help alleviate the industry's labor shortage and bring a better-motivated worker.

# Domino's in pan pizza wars

(Continued from page 1)
za is a $13.5 billion-a-year business. Pizza Hut has 20 percent to 22 percent of the market, followed by Domino's, at about 17 percent, and then Little Caesar's, at about 6 percent or 7 percent.

But pan pizza could also mean at least 10 percent in new, additional sales for Domino's — or $230 million to a chain that grossed $2.3 billion systemwide last year.

Pan pizza already accounts for 60 percent to 65 percent of sales at Pizza Hut, which introduced the product nationwide in 1981. Domino's own research shows that 40 percent of American pizza eaters prefer thick crusts.

Nevertheless, Monaghan approved the rollout only after intense pressure from advisers and franchisees, insiders said.

The Domino's menu had been limited to one pizza, in two sizes, 11 toppings, and one soft drink. Since 1973 the chain has offered a unique 30-minute delivery guarantee or at least $3 would be sliced from the bill.

Although Monaghan is insisting publicly that if the product fails, it could simply be removed from the system, marketing vice president Samuel Fine noted that the rollout is costing about $25 million.

About $15 million has been spent just for specially made sheet metal pans with perforated bottoms. Pizza Hut uses heavy, almost cast-iron pans with no holes.

Although the product had been considered for years, a rollout was not expected until late this summer. Domino's officials said the launch date was moved up to take advantage of the surprising ease with which store-level workers learned to handle the product in three- to four-hour training sessions.

But in recent months Pizza Hut and Little Caesar's, which rolled its own thick-crust pizza last October, had grabbed the pan pizza spotlight with aggressive promotions and discounting.

Pizza Hut's Rydell asserted his chain's market share had jumped four points since December.

The battle came to a head recently when Little Caesar's hauled Pizza Hut into court over the latter's use of the slogan "two great pizzas, one low price." Pizza Hut has countered that Little Caesar's cannot justifiably own a pitch phrase nearly as common as "two-for-one" or "buy-one-get-one-free."

Nevertheless, Little Caesar's has built its system on the two-for-one concept, and Pizza Hut has been pushing two pizzas priced at only a couple of dollars more than the price of one.

Domino's pan pizza prices are between those of the 10-inch and 16-inch originals.

**DOMINO'S**
**Menu Sampler**

| | 10-inch original | 16-inch original | 12-inch pan pizza |
|---|---|---|---|
| Original cheese pizza | $4.99 | $ 8.49 | — |
| New pan pizza | — | — | $ 7.49 |
| Double cheese | $7.99 | $ 9.49 | $ 8.49 |
| Five extra toppings | $7.99 | $12.94 | $11.49 |
| Nine extra toppings | $8.74 | $13.49 | $12.49 |
| Each topping separately | $ .75 | $ 1.00 | $ 1.00 |

Note: New York City prices.

The new product is 12 inches wide and carries the same measures of toppings as a 10-inch pizza but with about twice the cheese, almost one pound. The dough for pan pizza is formulated only slightly differently than the recipe for Domino's standard dough.

"It was something we just had to do," said Glenn Mueller, president of RPM Inc. in Gulfport, Miss., Domino's largest franchisee, with 280 outlets across the United States and in West Germany.

He estimated gearing up for thick crust cost his company $3 million over the past one and a half years as old ovens were replaced with two-speed double conveyors or double-deckers capable of cooking original pizzas simultaneously with pan pizzas, the original pizzas in six minutes and pan pizzas in about eight minutes.

"We might have done it years ago," Mueller said. "But Tom's been very good at keeping our focus on delivery, and only delivery."

**NRA SHOW**

***Schedule of events, Chicago Dining Guide***

Coverage begins on page F71

**ETHNIC FOODS**

***Chefs marry spices preparation method***

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**EDITOR'S CORNER**

***ch neur***

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Nation's
# Restaurant News®
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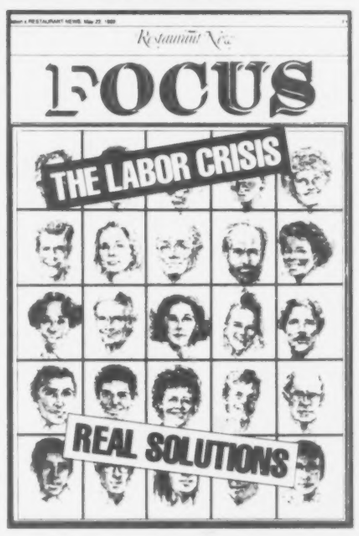
## Blame management for 'labor crisis'




*With more than 200,000 jobs left vacant in the food-service industry every year because of a labor shortage, more and more hard-pressed operators are mining new sources of workers and developing new methods of keeping them happy.*

*In this week's Focus, Nation's Restaurant News probes the so-called labor crisis to see how some of the savviest operators prosper despite it.*

*The report finds that successful operators are reaching out to minorities, the elderly, and the disabled to staff their restaurants.*

*In addition, they are turning to labor-saving convenience foods, kitchen equipment, and computer technology to reduce the need for labor in the first place.*

*But most of all the report suggests that the industry's problems stem, not from a shortage of workers, as conventional wisdom would have it, but from the industry's own indifference.*

*A new wave of food-service leaders assert that the industry causes its own labor woes by failing to treat workers with dignity and by a stubborn resistance to paying competitive wages.*

*The prescription: Forget the labor crisis; first solve the management crisis.*

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# Wendy's seeks to revive stalled comeback effort

## *Menu, ad shifts lead new thrust after setbacks*

**By Peter Romeo**

DUBLIN, Ohio — After suffering major setbacks in its turnaround push during the first quarter, Wendy's International is struggling to rebound through product introductions, new advertising, and the reactivation of founder Dave Thomas.

In keeping with a two-year crusade to sharpen operations, the franchisor is also switching to a decentralized structure similar to Burger King's and is spending $20 million to overhaul 450 units. It spent $24 million on refurbishment in 1988.

Thomas

"When we start operating restaurants correctly, we start making money," commented president and new chief executive Jim Near.

However, two years of sweeping operational changes, including a wholesale replacement of field supervisors, failed to enhance Wendy's profitability during the first quarter ended April 2. Pretax income fell year-to-year by 76.8 percent, even though the company had roughly the same

*(See **WENDY'S**, page 203)*

Diners enjoy '50s ambience at the Prime Time Cafe.

# Disney gets in the act with studio themers

**By Jack Hayes**

LAKE BUENA VISTA, Fla. — Disney-MGM Studios, the third giant theme park to open in this 28,000-acre Disney complex, which also houses The Magic Kingdom and Epcot Center, is serving California and Decade-of-the-50s theme food in 12 new eating establishments.

"There's more theming going on here than in any of the other parks," bragged Larry Slocum, director of food and a veteran of all Disney concepts at this American destination paradise in central Florida — only an alligator's crawl southwest of Orlando.

"And we're having a lot of fun with it," Slocum added.

More than a dozen eating

*(See **DISNEY**, page 203)*

**FOOD WATCH**

## *The little Engine Co. that cooked*

LOS ANGELES — Engine Co. No. 28, the new American-cuisine bar and grill opened in a vintage-1912 firehouse on Figueroa Street, augments its authentic ambience with an annotated roster of weekly specials culled from the files of America's great firehouse chefs.

Firehouse specials featured since the high-grossing restaurant's debut include Dick Prince's artichoke pie, from Ladder Co. 156 in New York; chief Edgar Le Jeune's shrimp and andouille jambalaya, from Baton Rouge, La.; Richard Paganelli's fusilli alla putanesca, from Engine Co. No. 17 in San Francisco; and Harris Johnson's catfish and hush puppies, from Tallahassee, Fla.

"They're very popular, and some of them, like [Chillicothe, Ohio, fireman Dick Bost's] meat loaf, have found their way onto the regular menu," said Linda Griego, a partner in the historical landmark conversion, along with Peter Mullin and Spectrum Foods co-founder Jerry Magnin.

**— Richard Martin**

NRN NAMES GOLDEN CHAIN WINNERS — See Page 4

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May 22, 1989

# NEWS DIGEST

## LeRoy, Tavern staffers exchange fire in wage dispute

NEW YORK — A bitter contract dispute is raging between Warner LeRoy, owner and operator of the famed Tavern on the Green, and the restaurant's servers and kitchen staffers.

Many groups tnat booked parties at the parkside restaurant have reportedly canceled their fetes rather than cross the picket lines, costing LeRoy thousands of dollars.

The flamboyant restaurateur has countered by threatening in an advertisement to sue the striking workers for libel and slander. The print ads also assure would-be patrons that "Tavern on the Green is fully staffed with 425 content and well-paid employees. Come see their smiles."

Waiters, waitresses, and kitchen staffers walked off their jobs after negotiations failed to yield an acceptable pay package. The employees charged that LeRoy has hired scabs at wages above what had been requested for union workers.

## Investor solicits proxies to intensify pursuit of DWG

MIAMI — A New York investment group has alerted regulators that it plans to solicit proxies as part of an effort to go "full speed ahead" in its attempt to take over DWG Corp., parent of the Arby's fast-food chain.

The suitor, Granada Investments L.P., said it would seek the proxies to force the election of representatives to DWG's board and to air its $22-per-share takeover proposal at a shareholders meeting.

Meanwhile, a communications company revealed that it has amassed a 6-percent stake in DWG. The company, Metro CTS Inc., operates cellular telephone systems.

DWG's board has steadfastly rejected the Granada's overtures.

## Pitillo leaves Jerrico to take Prufrock's helm

DALLAS — Angelo Pitillo, a 13-year veteran of Jerrico Inc., has been named president of Prufrock Restaurants Inc. here.

Pitillo, who was most recently senior vice president of new concepts at Jerrico, replaces Wallace Jones, who left in January to become executive vice president and chief operating officer of Warburtons Inc., a Chicago-based bakery-chain operator.

Prufrock owns and operates 45 Black-eyed Pea restaurants and holds the franchise rights to 10 other units.

Jerrico is the operator of the Long John Silver's quick-service seafood chain. The company is experimenting with full- and quick-service Italian restaurants.

## *Third parties seek to join Kingsbridge in pursuit of Dunkin'*

**By Peter Romeo**

**RANDOLPH, Mass. — Kingsbridge Capital Group, the Canadian concern seeking control of Dunkin' Donuts, said it has entered into "preliminary discussions" with unidentified third parties about joining in a takeover or merger attempt.**

**Meanwhile, Dunkin' said it had sold 1.1 million stock shares to an employee stock ownership plan, making a hostile takeover more difficult to complete. However, the company said it would "carefully review in due course" a proposal by Kingsbridge to acquire the doughnut maker for $42 per share, or $300 million in the aggregate. Kingsbridge described the proposed arrangement as a "business combination."**

**Earlier, Dunkin' chairman Robert Rosenberg had said that the board wished to maintain the operator's independence.**

**Kingsbridge, a holding of Toronto businessman George Mann, began amassing its 7.5-percent stake in Dunkin' when shares were trading for about $31 each. The company has sought permission from government regulators to buy up to 51 percent of the restaurant operator's stock.**

**Dunkin' recently enacted a "poison pill" defense that would hamper a takeover by enabling existing shareholders to buy newly issued shares at a discounted rate. However, a stockholder recently filed a suit in a Delaware court to have that and other "shark repellents" overturned.**

## BK touts Cheese Trio in latest product push

MIAMI — As part of a strategy to create consumer interest by rotating specialty sandwiches on and off the menu, Burger King is spotlighting the Cheese Trio — a double hamburger topped with three cheeses — during a six-week nationwide promotion.

The Cheese Trio promotion will be supported by three weeks of network television advertising, featuring both 15- and 30-second commercials, with an option for a week of spot buys, the spokesman said.

The suggested retail price for the basic Cheese Trio, consisting of two 2-ounce patties and Swiss, American, and Monterey Jack cheeses, is $1.65, a Burger King spokesman said. A "deluxe" version with mayonnaise, lettuce, and tomato, is $1.85, he said.

Burger King is in the process of selecting a new ad agency to handle its national account.

## *Food costs moderate; sales slow in April*

WASHINGTON — Wholesale food-price inflation eased in April, and eating- and drinking-place sales softened, suggesting that the economy is slowing.

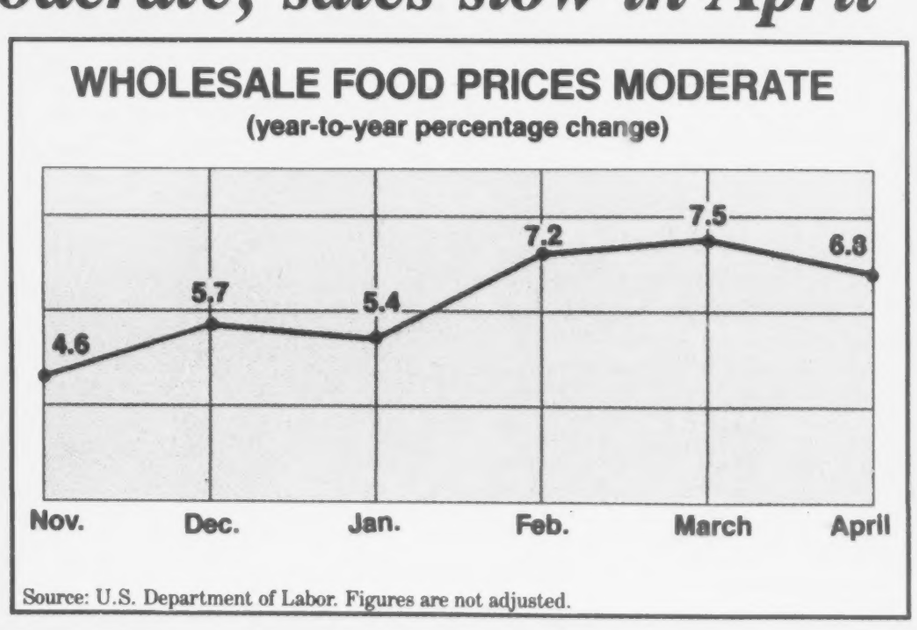
Wholesale food prices advanced at a 6.8-percent year-over-year rate in April, down from 7.5 percent in March, according to the U.S. Labor Department's Producer Price Index for Finished Consumer Foods.

And sales growth at the nation's restaurants and bars slackened to 5.6 percent from an 8.6-percent unadjusted gain in March, according to the Bureau of the Census.

"I think the environment for restaurant companies is pretty good overall," said Richard Pyle, managing director of Piper, Jaffray & Hopwood Inc., Minneapolis.

"If the economy slows down, wage growth could slow down, food costs could stop rising, and real-estate and interest costs could be better, so the profitability of restaurants might improve," Pyle explained. "It may not be as ebullient on the sales side, but some of the cost factors will come under better control."

— Rajan Chaudhry




Source: U.S. Department of Labor. Figures are not adjusted.

FINANCIAL NEWS

# Friday's boosts net income 21% to $2.8M in 1st Q

By Rajan Chaudhry

DALLAS — TGI Friday's Inc. said higher comparable-store sales, lower labor costs, and increased interest income fueled a 21-percent gain in net income, to $2.8 million, for the first quarter ended April 3.

The results cap a two-year turnaround built on better cost controls, stepped-up marketing, and a new menu.

Revenues for the quarter fell 4 percent from the same-period figure last year, to $92.9 million, reflecting the deferral of operating results for 25 restaurants as part of the company's realignment.

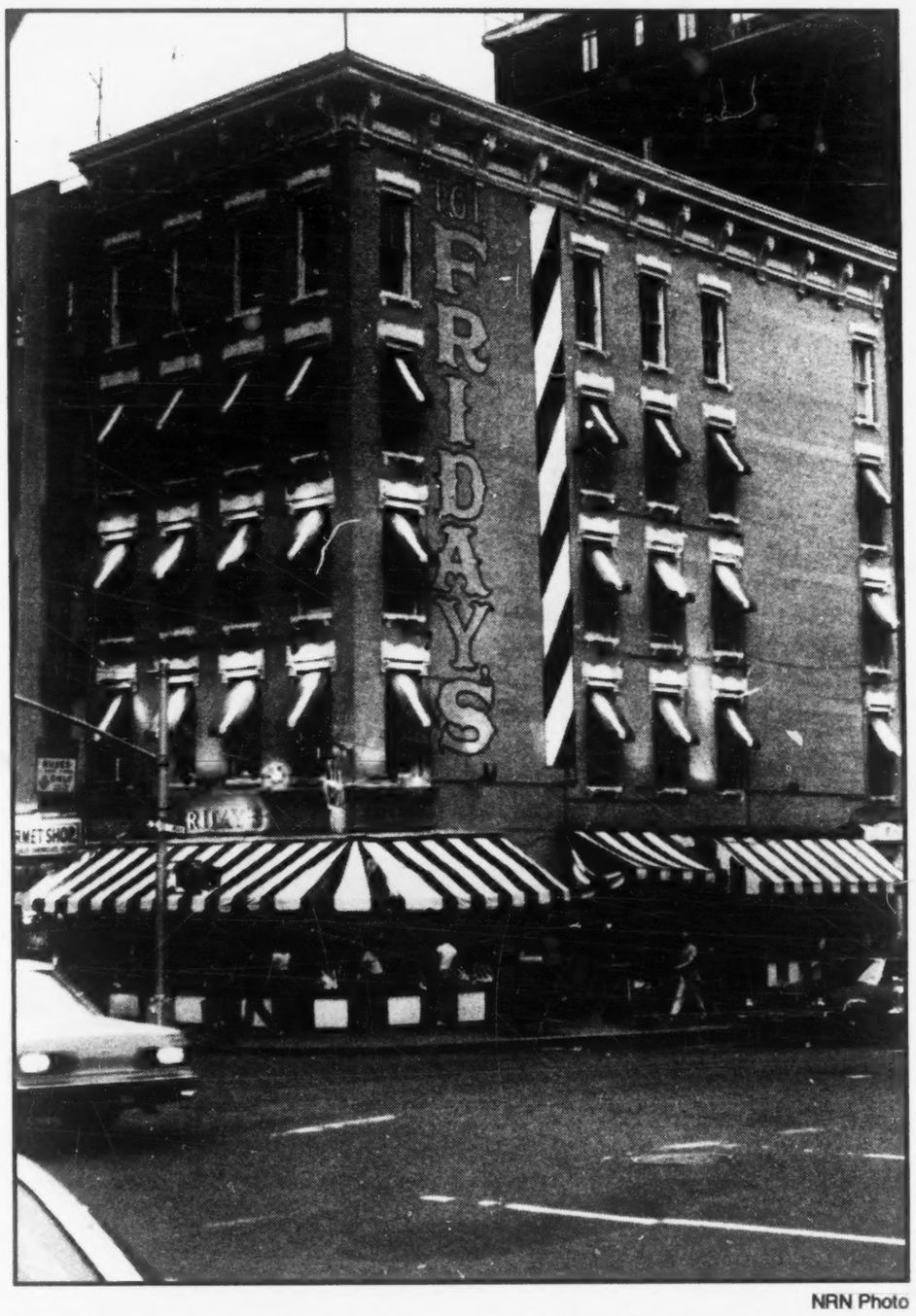
The program is designed to increase the company's role as a franchisor and develop certain markets through territorial franchise agreements.

Friday's, which operates and franchises casual dinner houses under the T.G.I. Friday's and Dalts banners, kicked off its realignment program in December.

Under the plan, the company has targeted 19 restaurants for sale to franchisees. It has also closed two Dalts and two Friday's, according to treasurer Lawrence White. He noted that the four remaining restaurants would probably be subleased.

Most of the restaurants slated for sale are in middle America, in markets where Friday's has a limited presence and the company would rather grant area development agreements than tackle further company-store expansion, White said.

Although the company anticipates booking a net gain when all transactions related to the realignment are closed, it will incur losses for some store dispositions. The deferral of results eliminates the chance that those sales might reduce any quarter's earnings.




NRN Photo

**TGI Friday's occupies a corner building in New York City.**

In 1986 Friday's net income bottomed at $1.4 million. Over the past two years, the company has posted steady improvements in operating profits and same-store sales. In 1988 Friday's earnings totaled $12.4 million, eclipsing the previous high of $11.9 million that it reached in 1983.

Operating margins improved from 6.9 percent in 1986 to about 9 percent in 1988. For the first quarter, restaurant operating margins rose year-to-year to more than 10 percent from about 9.4 percent.

Comparable-store sales at Friday's units rose 5.6 percent for the quarter, 2.6 percent of that coming from menu-price hikes. Comparable-store sales at Dalts improved 4.6 percent, with about 2.4 percent coming from price increases.

For the April-ended quarter, labor costs as a percent of sales dropped about 1.5 percentage points, according to White. Richard E. Rivera,

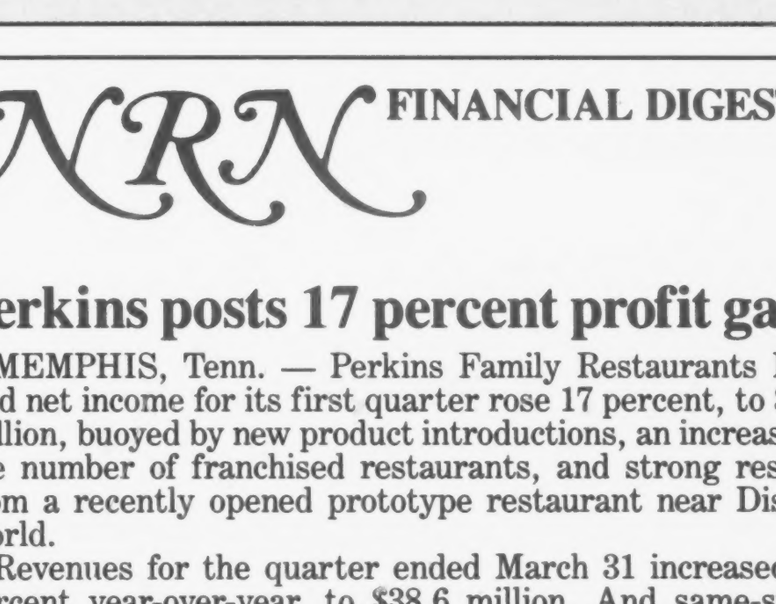
*(See **FRIDAY'S**, page 202)*

## FACT FILE

*A look at the statistics shaping the industry*

### FOOD-SERVICE PAY LOWEST OF RETAIL BUSINESSES

Average hourly wage




Source: Bureau of Labor Statistics

## NRN FINANCIAL DIGEST

### Perkins posts 17 percent profit gain

MEMPHIS, Tenn. — Perkins Family Restaurants L.P. said net income for its first quarter rose 17 percent, to $2.1 million, buoyed by new product introductions, an increase in the number of franchised restaurants, and strong results from a recently opened prototype restaurant near Disney World.

Revenues for the quarter ended March 31 increased 11 percent year-over-year, to $38.6 million. And same-store sales for company-operated restaurants were up 4.8 percent for the quarter.

Perkins, which owns and operates 114 Perkins Family Restaurants and franchises an additional 231, said that its new prototype in Lake Buena Vista, Fla., boasts a store operating profit which is more than triple its company-store average.

### Promotions pull plug on NCS profits

HOUSTON — National Convenience Stores Inc. said aggressive price promotions boosted sales but slashed profits for its third quarter ended March 31.

The company lost $7.5 million for the quarter, compared with a loss of $1.2 million for the same period last year. Sales increased 6 percent, to $239.3 million.

For the March-ended nine months, losses totaled $8.2 million, compared with a net profit from operations of $1.4 million a year ago. Sales for the nine months rose 21 percent, to $786.6 million.

V.H. Van Horn, president and chief executive, said that in the fourth quarter NCS will return to traditional pricing strategies, focus on promotions that do not rely on discount pricing, pass on more gas-price increases to customers, and reorganize its marketing team.

### Store-opening costs swamp Ark

NEW YORK — Ark Restaurants Corp. — which operates a diverse mix of restaurants and bars here, in Boston, and in Washington — said that, for its second quarter ended April, preopening expenses for several new restaurants and sagging sales at its Big Kahuna operation cut profits by 55 percent and sales by 3 percent 1.

Net income fell to $88,000 on sales of $6.5 million for the quarter, Ark said.

In the first half, net income declined 4[illegible] percent, to $366,000, and sales slipped 4 percent, to $13.4 million.

In accounting for the results, the company cited preopening expenses and early operating losses at An American Place and its America operation in Washington as well as preopening expenses at Gonzalez Gonzalez.

## FOOD PRICE OUTLOOK

# *Canned peach imports are up*

The tight conditions of **California canned cling peaches** in regard to food-service demand has opened the door to strong imports. The quality varies, so operators purchasing imported peaches should cut each order to be sure contents meet their specifications. Pricing has been running about 10 percent to 15 percent below that of the California pack.

The prolonged Newfoundland fish packers strike has not hit **frozen cod** supplies as much as had been feared. Many processors here had bought heavily in anticipation. Stocks are only down about 10 percent from last year's figure, and prices have just begun to edge up again for the blocks and slabs, which are the raw material from which portions are cut.

**Cocoa** prices are at the lowest levels in years and have been holding there for many weeks. If the world market continues low, expect **chocolate** prices to drop here, as processors work off higher-priced stocks and replace them with the current supply.

**Iceberg lettuce** supply has now swung back to the California Central Coast, and prices were down in mid-May, although unseasonal rain was temporarily holding up harvesting. With prices below break-even for farmers, some crops are being plowed under, so rock-bottom prices may not last.

Strong export demand is driving prices up on a host of commodities. **Dry beans,** with Mexico buying **colored beans** heavily, are one example. Japan is buying fresh **fish** from American waters. China and the Soviet Union are buying **grain,** both for animal feed and for human consumption. Result: upward pressure on prices that will be relieved only by bumper harvests, a very uncertain possibility.

— Patt Patterson

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 204

# FOCUS | OPINION

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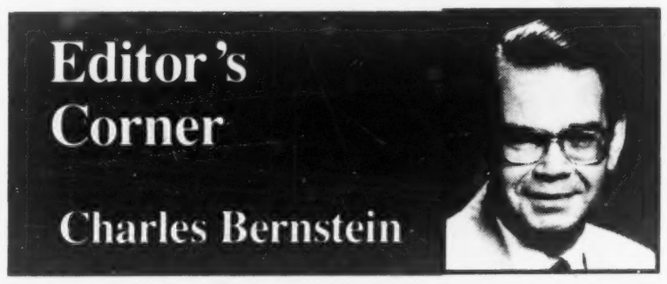
# Group approach: Entrepreneur still crucial

This is the age of the restaurant "group," an umbrella organization that keeps various chains under its wing. A number of these groups sprang up in the past two years, and more are evolving now.

One of the most prominent of the established groups is TW Services, which is still under takeover threat from New York investment firm Coniston Partners and is being eyed by other companies. Under chairman Frank Salizzoni, TW operates Denny's, Winchell's, El Pollo Loco, Spartan Foods (a major Hardee's franchisee), Quincy's steak houses, and the Canteen food-service management company.




Then there is Norman Habermann's Irvine, Calif.-based Restaurant Enterprises Group, which has Carrow's and Coco's coffee shops, Darryl's, Baxter's, Gladstone's 4 Fish, and Las Brisas. To help finance its huge debt, REGI has sold Gilbert/Robinson (Houlihan's) to The Riese Organization in New York. Peter Grace, chairman of W.R. Grace, which once owned these restaurants, retains a significant stake.

And the man who once ran Peter Grace's restaurants, Anwar Soliman, has his own deal with a wide grouping of restaurants under the banner of the Newport Beach, Calif.-based American Restaurant Group. It comprises Grandy's chicken, Stuart Anderson's Black Angus steak houses, Velvet Turtle restaurants, Spectrum Foods dinner houses, and Spoons casual restaurants.

Gordon Miles and Thomas Doan's San Diego-based Paragon Restaurant Group, which grew out of Vicorp Specialty Restaurants, consists mainly of the dinner houses that Vicorp purchased five years ago from Foodmaker's Continental Restaurant group — Carlos Murphy's, Mountain Jack's, Boathouse, and Hungry Hunter.

In addition, Paragon purchased the Rusty Pelican seafood dinner houses last year.

These groups tend to emphasize casual dinner houses that can be replicated and feature an ambience where jackets and ties may be somewhat out of place. This is a trend that will accelerate as customers veer away from the so-called luxury restaurants toward lighter menus and casual dress.

Similar trends are evident in the rise of restaurant groups springing up now. They provide marketing and management help as well as capital for chains that want to grow but need extra support to do it.

The latest example, as reported in this issue, is that of Allen J. Bernstein, who has formed the Quantum Restaurant Group, Roslyn Heights, N.Y., and has acquired a majority stake in Peasant Restaurants, a 14-unit Atlanta group emphasizing casual dinner houses and "neighborhood" restaurants. He also has set plans for his group to acquire other chains in the casual category and is close to another such purchase.

A previous effort by Bernstein, as chairman of Denver-based Le Peep for the last six years, appeared to falter when founders-entrepreneurs Buddy and Rhoda Waldman could not cope with the rapid franchising and expansion and dropped from the scene. The Peasant situation seems decidedly different since the concepts are already well established in their niches. Prospects are good that Peasant president Stephen Nygren indeed will be retained at the helm as Peasant's concepts expand.

This would contrast with the bitterness that develops when the entrepreneur is forced out after an acquisition and the feel of the concept is lost. A notable recent example is that of Don Callender's being sidelined after Ramada Corp. acquired his Marie Callender's chain. Inevitably, Ramada has sold the chain to an investment group.

Another fledgling restaurant group has in effect been formed in Stuart Benson's recent buyout of majority control in the expanding New York-based Nathan's hot-dog chain. Benson and his partners, including William Landberg, have indicated a desire to take over some of the Sizzler restaurants in the Midwest and to acquire other restaurant chains.

At the same time, the Buckley twins, Richard and Steven, from whom Benson wrested control of Nathan's, are seeking other restaurant acquisitions.

In effect, there already are numerous independent restaurant groups. But a new twist occurs when a group repeats its concepts on a wide basis.

One of the masters of this technique is Dennis Riese, who with his Riese New York Group (separate from The Riese Organization run by his father and uncle) exercises vast real estate clout, has now signed a deal to be Richard Melman's partner in Ed Debevic's diners. He is ready to roll out a substantial number of Debevic's after the concept crawled along with only five domestic units opening in five years.

What is intriguing about Dennis Riese's role is his marketing of four different casual restaurant concepts — each with its own nuance and particular niche. Debevic's comes in addition to Chi-Chi's, T.G.I. Friday's, and Chili's franchise rights for him.

It is easy to visualize customers who crave variety going to each of these four on consecutive days. It is also a good bet that clusters of three or four of these units will pop up fairly steadily.

Norman Brinker, Chili's chairman, has fashioned his own casual group in a sense, with Chili's and the slightly higher-priced Grady's chain that he acquired last fall. He is convinced that he can keep rolling out Chili's units and expand Grady's at the same time.

Groups can be great but are likely to succeed only when they are casual in food and dress code, offer real price-value, and have a true restaurateur operating them.

## LETTERS

### *Pub Notes: A mix of talent keeps regulars informed*

Editor, NRN:

While we are very proud of Pub Notes, our newsletter that you mentioned in your Editor's Corner column, "Morale spur: In-house newsletters," it is not an in-house newsletter at all.

We are, as you say, a one-unit operation, and all 20 of us see each other on a daily basis. Everyone here contributes either talent or labor (or both) to the production of Pub Notes. The newsletter is for our customers, especially our "regulars," who may come in but once or twice a year because they live in inconvenient places like England and California.

We are a pub in the true sense of the word, and our neighborhood is large. We like to keep our friends aware of us and what we are doing. When there is news, we herald it; otherwise, we just chat.

For the customer who was in last in July when waitress Rose was five months pregnant, the birth of her twins in November is certainly news though perhaps not of the magnitude meriting coverage in Nation's Restaurant News.

I hope you enjoy Pub Notes as much as we enjoy NRN, though I doubt you'll find it as useful — even if you get all the inside jokes.

**— Deven Black**
*general manager*
editor, Pub Notes
North Star Pub
New York

### *Counter customers suffer double-drive-thru blues*

Editor, NRN:

Since McDonald's and others determined that the double-drive-thru was the answer to increased sales, the speed of service to the walk-in customer has suffered greatly (30 minutes at my last stop at the Golden Arches).

The drive-thru seems to have priority for product. As a result, the counter customer lives with half-completed orders or slow delivery, at best. It's no wonder that new small franchised operations are opening on every block and the mom-and-pop operator is back in business. They are the new fast-food operators!

**— Walt Collins**
Restaurant Consultants Inc.
Boca Raton, Fla.

### *Editorial praise from deep in the heart of Texas*

Editor, NRN:

I'm assistant manager at the Sunset Grill Restaurant in South Padre Island, Texas. I'm sending this letter to let y'all know of the fine job you do with Nation's Restaurant News.

It is very informative and full of new ideas. This is our first publication, and I already love it! It was my bosses' idea to get it, and I'm very glad they did it!

Thank you very much.

**— Joaquin de la Torre**
Sunset Grill
South Padre Island, Texas

# FOCUS | LABOR CRISIS

# EMPLOYMENT OUTLOOK

*As the labor pool continues to dwindle, competition between operators and retailers has heated up into an all out battle for competent employees.*

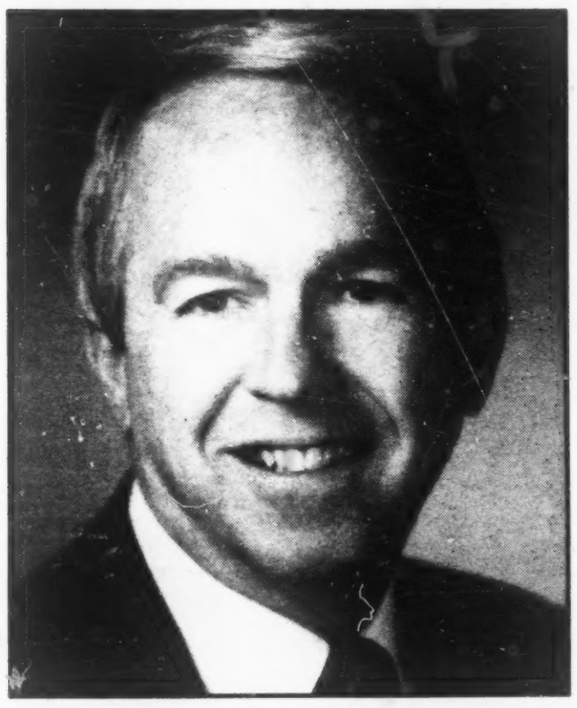
**By Milford Prewitt**

Only war extracts as many people from the labor pool.

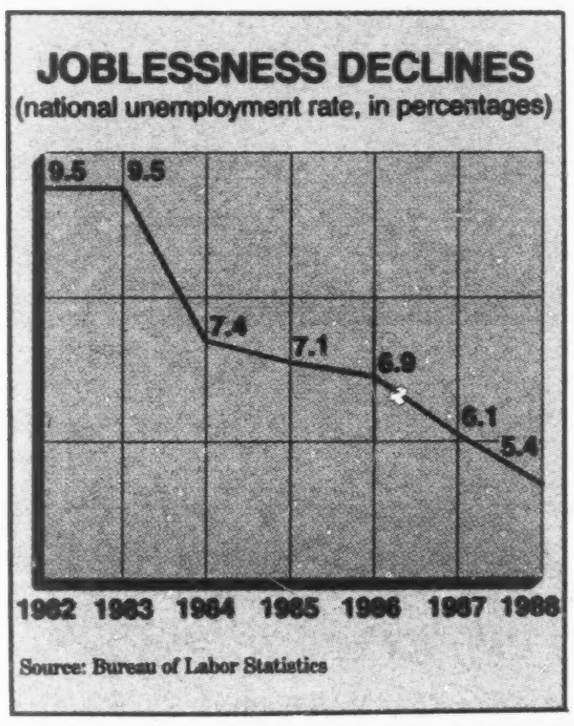
That's how Donald Campbell, president of Kenny King Corp., Cleveland, a 58-unit franchisor, sums up the state of the labor market.

"With the exception of war, I cannot remember a time when there was such a shortage of workers," Campbell says.

Campbell's reference to a warlike depletion of employees is an apt one.



Donald B. Campbell




With national unemployment at 5 percent — a 16-year low — and the number of young, entry-level workers diminishing, food-service operators are fighting other retailers for a dwindling supply of available labor. The market condition translates into more than 200,000 jobs being unfilled, annually, according to a National Restaurant Association study.

Operators are looking at alternative sources to shore up staff shortages and finding some success in hiring the senior worker, the handicapped, and even installing high-tech equipment that replaces humans.

It's a familiar story, but a growing phalanx of diverse operators are starting to add an unconventional perspective. Like prosecutors ripping apart a suspect's alibi, they are charging that the employment woes within the food-service industry were created by the industry, brought on by an intractable resistance to minimum-wage hikes and a failure to appreciate the importance of upgrading the negative image of the entry-level job.

One person leading the new view is Herman Cain, president of Godfathers Pizza. He doesn't ascribe to the conventional view that the industry is in a "labor crisis."

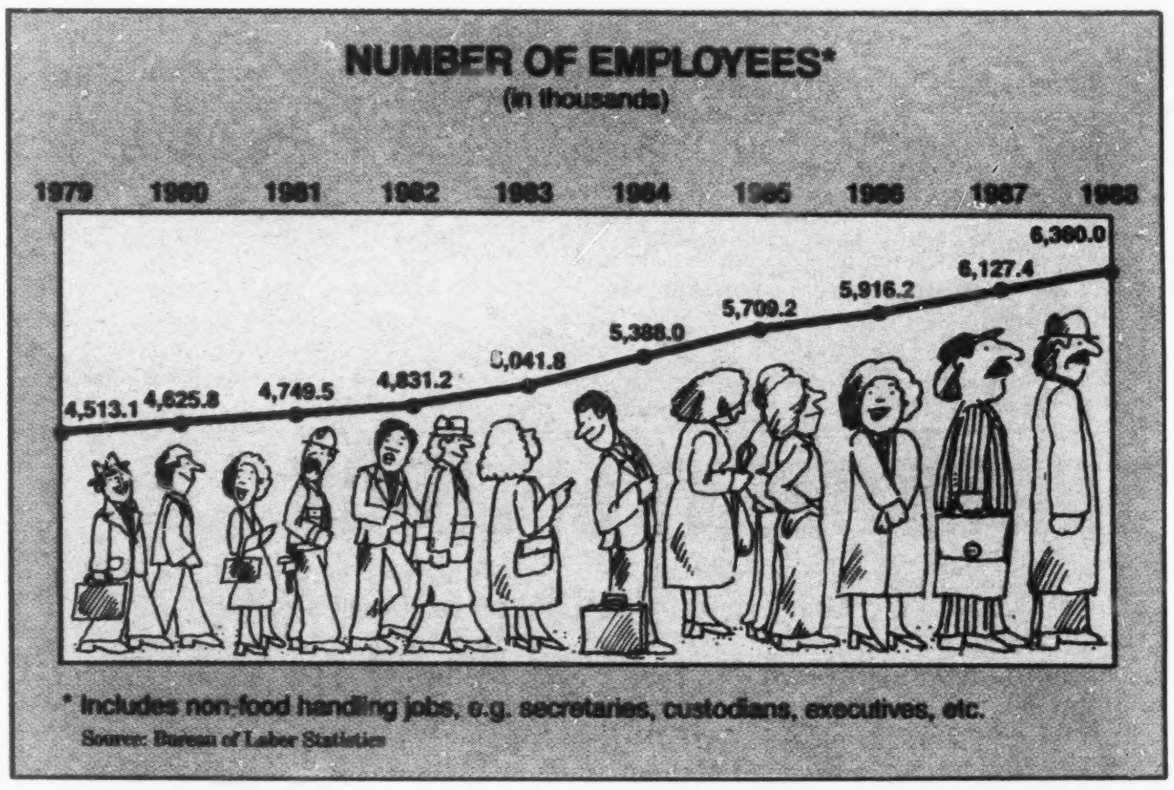
"We have an industry image problem that was never addressed during the high growth periods of the 1970s and 1980s," Cain says. "There was a feeling that if one worker left, there was always another to fill that position.

"Because of lower unemployment, workers have more options available to them."

Cain suggests that the problem is so severe it may require individual restaurants to solve the employment quagmire in there own way.

Mario Sbarro, president of the rapidly expanding New York pizza and Italian chain, agrees with Cain's assessment and similarly takes the industry to task for being shortsighted.

"We've got to raise wages, and we've got to attract more young people," Sbarro said. "Right now young people see working in this industry as a second- or third-rate opportunity depending on the person's level of need.




"The age of the part-timer seems to be fading. We have to begin talking about improved compensation, bonus, and benefits for hourly employees. If I had children growing up now, I wouldn't want them to enter this business."

Sbarro says the challenge really hit home recently when his daughter, who is in college, landed a part-time job at a bank, earning $7.50 an hour.

"How do we compete with that?" he asks.

But it's not just the multiple unit manager or top chain executives who are challenging the industry's resolve. Some independents charge that permitting employees, particularly kitchen help, to work 60 and 70 hours a week, breeds turnover and burnout.

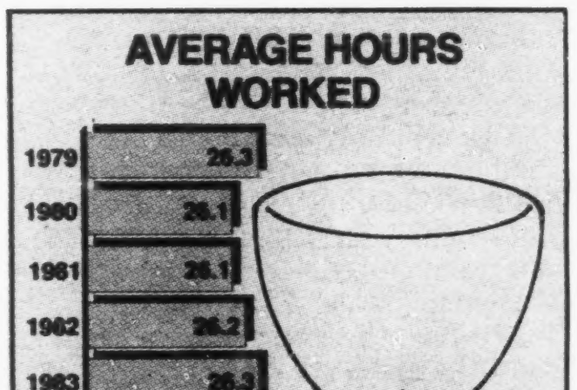
Lawrence Parachini, founder and owner of L.C.'s Woodhouse, a fine-dining, Continental-cuisine restaurant in Allendale, N.J., attributes a low turnover rate among his 30 employees to flex-time and limiting them to just 40 or 50 hour a weeks. He said it took nearly a lifetime of working in the industry to realize a major cause of rampant turnover is an overworked employee.

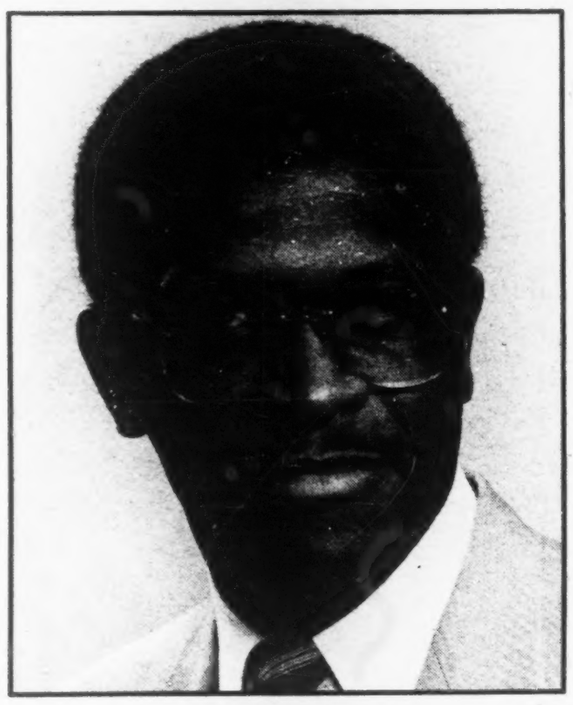
A Midwestern regional manager for one of the major hamburger chains blames the industry for a different reason. Agreeing to be interviewed only if neither he nor his chain is identified, the manager suggests that his company and its competitors "don't give the hourly, young person the feeling that we want him to stay."

He says fast-food operators have to face the prospect of higher operating costs and new labor costs — day care, for example — in order to survive in the future.

"We've gotten so accustomed to a high turnover rate that we just accept the fact that a new hire will be gone within 100 days," he says. "It's like going to the doctor and finding out you have terminal cancer. Well, rather than live life the best way you can for the time you've got, you throw in the towel and say, 'Why bother?'"

"I think that if we held out some inducement in the form of higher wages, tuition support, maybe even day care (you know how many teen-age mothers would love working if they knew their employers gave them some kind of day-care allowance?), we might turn this situation around."

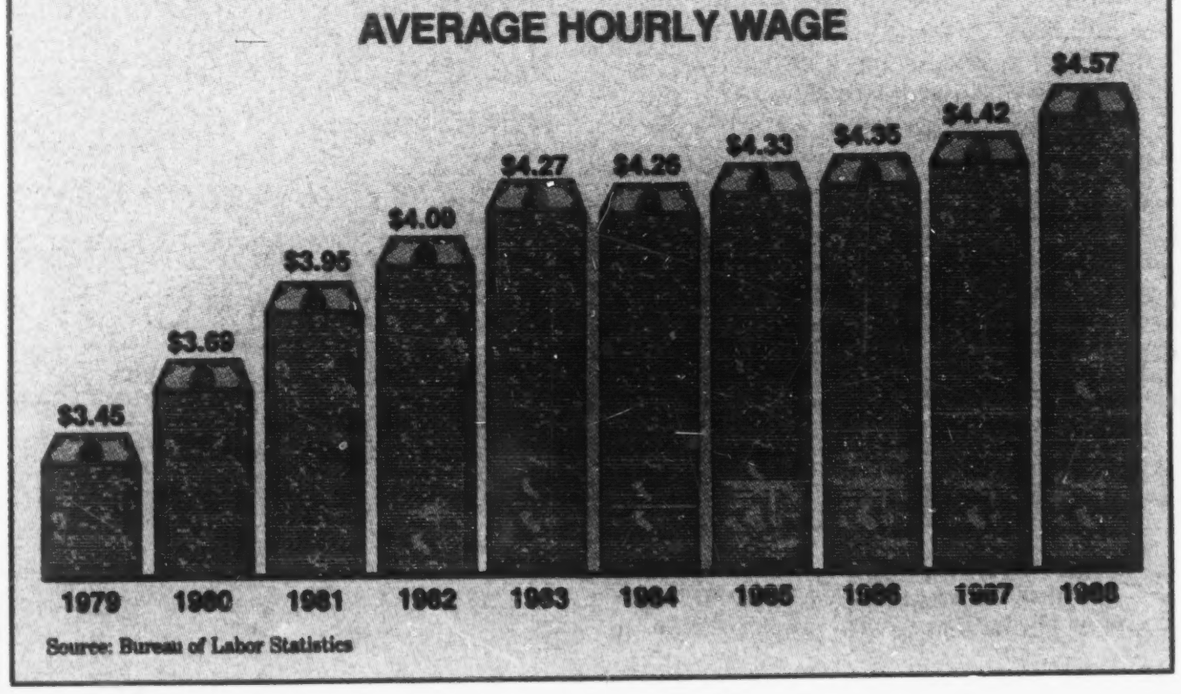


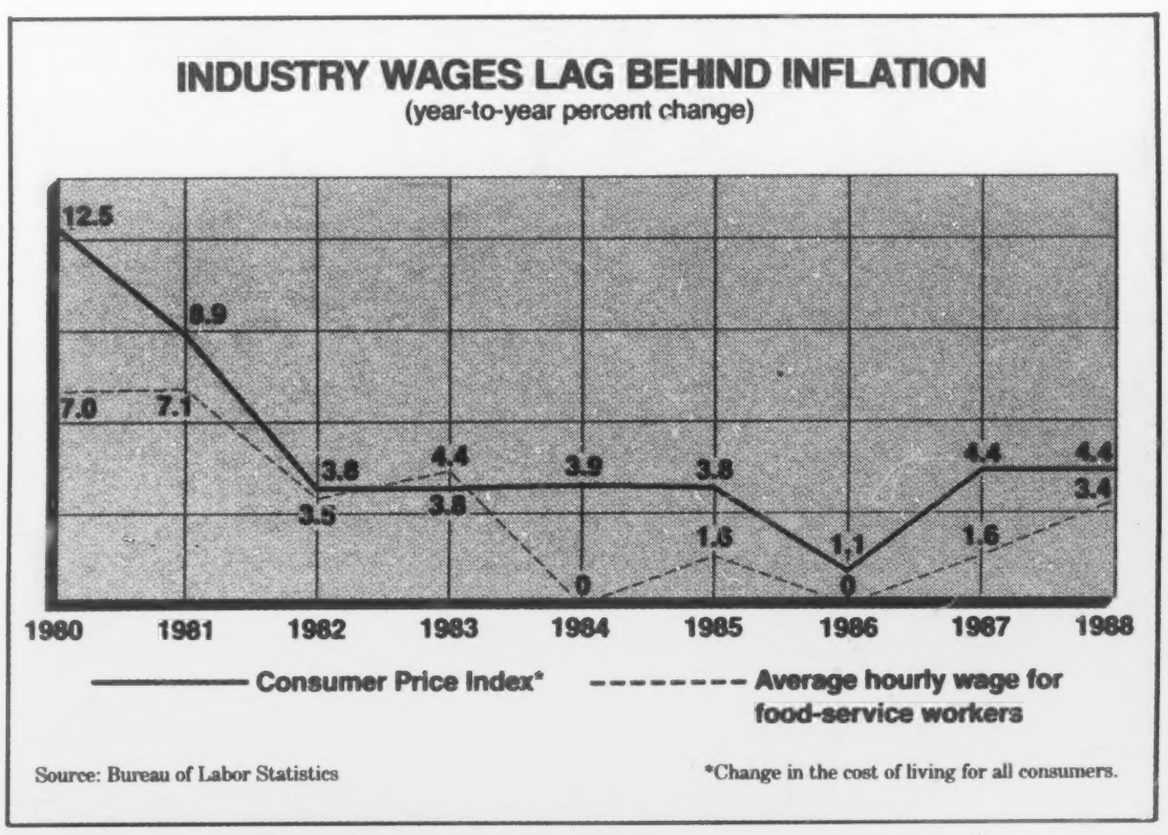
Herman Cain

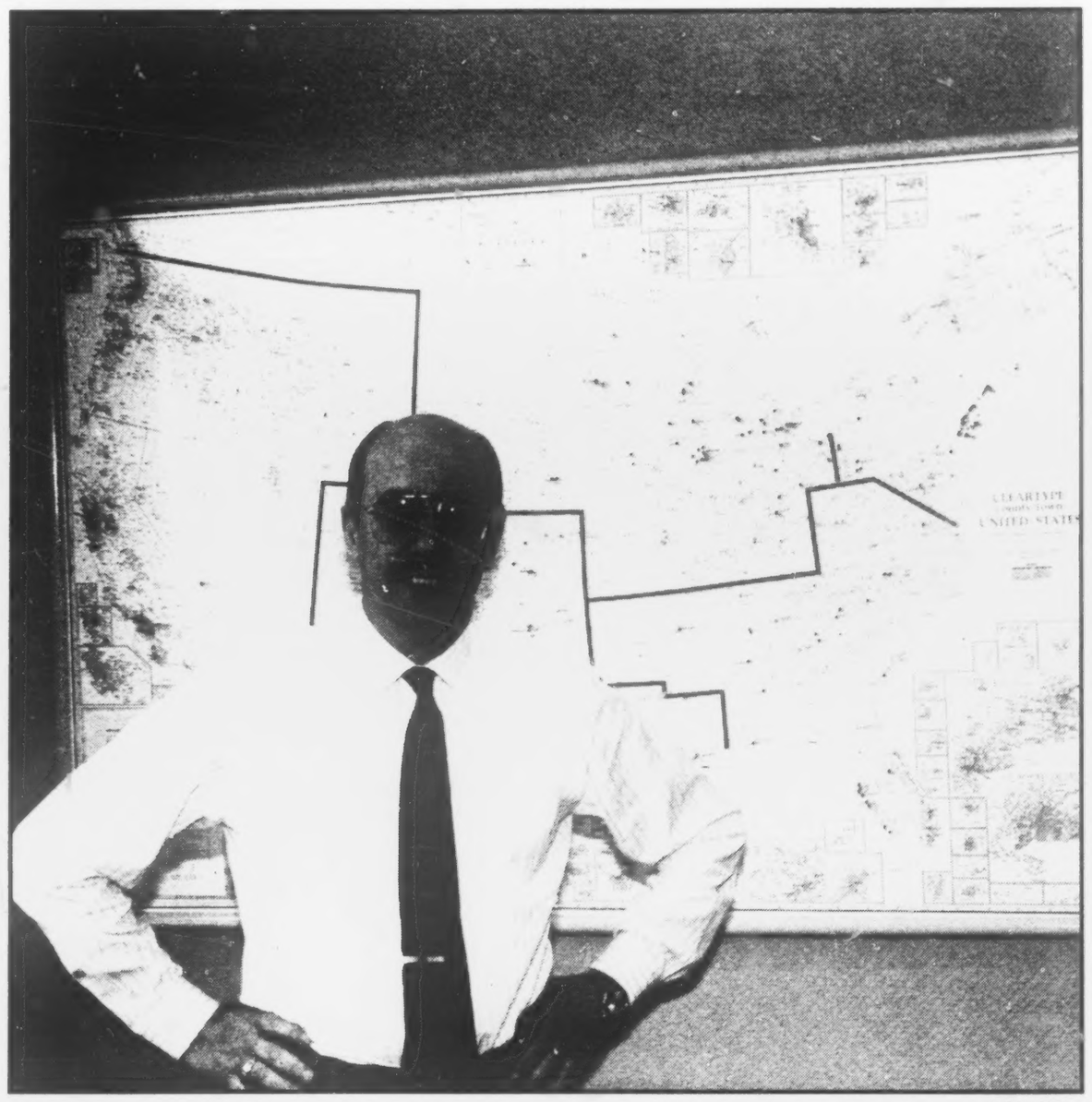
The argument among those preaching the new gospel that the minimum wage has to go up in order to

*(See **EMPLOYMENT**, page F18)*



# FOCUS | LABOR CRISIS



NRN Photo

**Mario Sbarro, Sbarro president, stands by map pinpointing unit locations.**

# EMPLOYMENT OUTLOOK

*(Continued from page F17)*

attract workers is a faulty thinking to the NRA.

"Minimum wage hikes hurt employees and employers alike," says Ann Papa, a representative for the NRA. "You get an increase in labor costs, but you don't get an increase in labor. It's been historically proven that minimum-wage increases hurt the people it is designed to help.

"We certainly have no problem with people making more money. But we think the marketplace should determine what the wage should be, not government."

Glenn Cowles, a hotelier and independent restaurateur, agrees with the NRA position. Cowles, who operates the Holly Inn and GJ Platters Restaurant, both in South Haven, Mich., said the last time wages were increased, which showed up in menu prices as well, an immediate 15 percent falloff in covers occurred.

"In a small market like ours, the minimum wage has a major impact on the kind of business we do," he pointed out.

While most of the discussion on industry employment is often focused on the hourly worker, some companies are starting to encounter stumbling blocks recruiting executives and college graduates, further evidence, some argue, of the industry's failure to promote career possibilities.

"The contract food-service area is struggling with campus recruiting," says Kark Snepp Jr., vice president of human resources for ARA, Philadelphia. "I've participated in campus recruitment activities at the hospitality schools, and the graduates just have not perceived food-service management as something they want to do."

Snepp, whose company rarely hires teen-agers and opts for older workers for a variety of reasons, says that even ARA's preferred applicants are hard to find, as they, too, are in the tugging war with other retailers.

Some argue that the lingering specter of bias within the food-service sector further complicates attracting workers to the industry.

In an NRA symposium held in Washington in January, job-placement specialists chastised both operators and employees for indulging in a number of subtle but prejudicial tactics that drive minority and women workers away.

The intended purpose of the symposium was to acquaint operators with methods they could use to recruit more people from certain demographic groups.

Instead, the conference turned into a no-holds-barred look at how stereotypes — among employers and employee — hurts both.

More recently, the hoteliers began examining the relationship between prejudice and the shortage of available labor.

Marcia Rafig, general manager of the Penn Hotel, Philadelphia, who says she is one of only 13 black general managers in the industry, argues that a lack of black executives in the lodging and hotel industry prevents hoteliers from appreciating the wide market potential of black travelers and is therefore detrimental to business in general.

One rarely examined aspect of the labor shortage and one that draws as many viewpoints as the problem itself is the degree to which a dearth of workers could stifle a company's expansion goals and, eventually, an entire industry's.

Ann Powell, communications manager for General Mills, operators of the rapidly expanding Olive Garden and Red Lobster, says growth-oriented companies create their own gravity and draw workers who are attracted to more rewarding career possibilities.

"A growing company just has more opportunities to offer workers," she says. "We're not affected by the labor shortage because we're growing so fast."

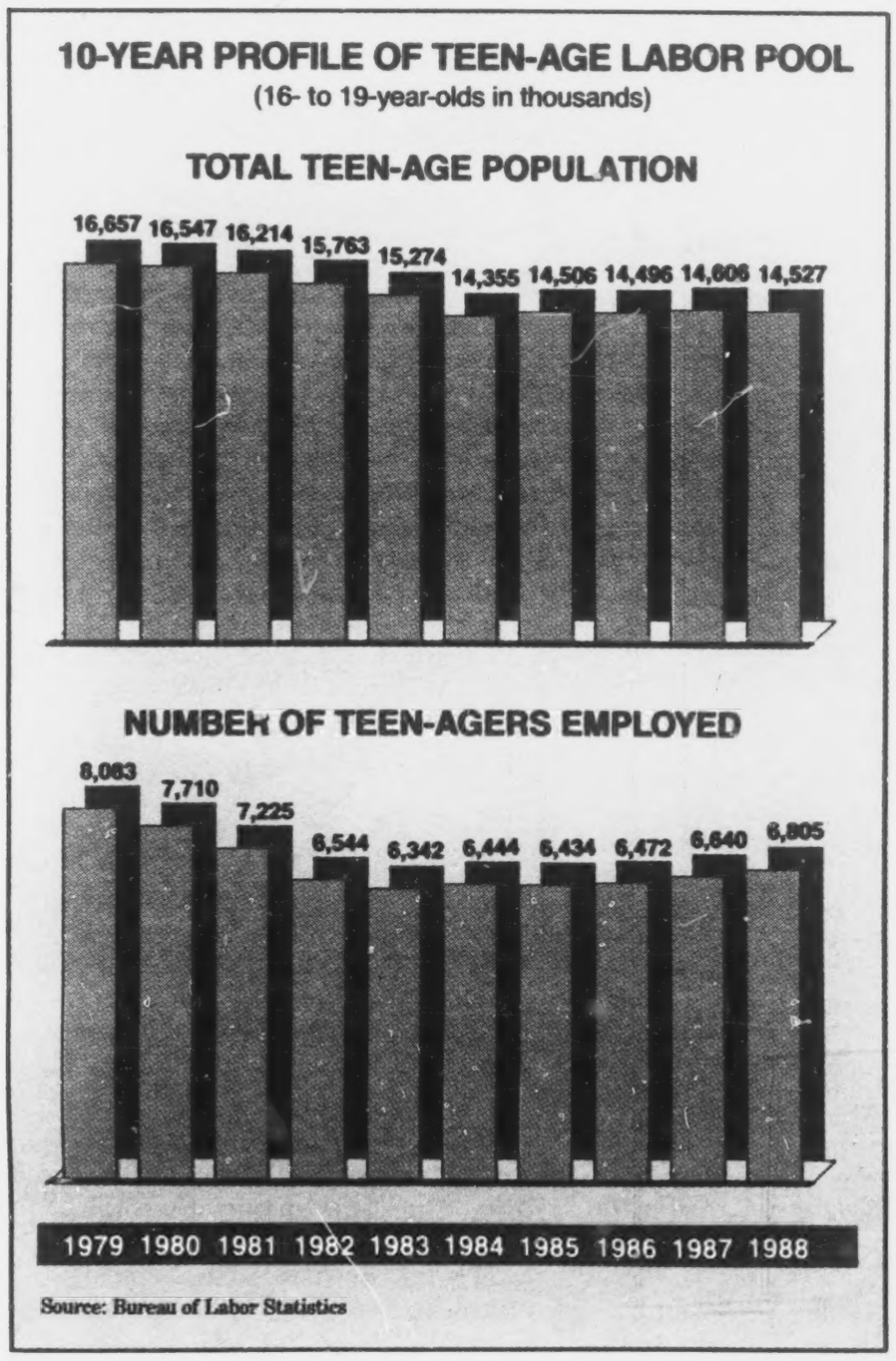
Campbell, the Kentucky Fried Chicken franchisee president in Cleveland, is not so encouraging.

"Unless you're blind, the labor shortage has to impact on the growth of any company," he says.

"This is a people-driven business, and if there are fewer people, how do you grow?"

**Karl M. Snepp**

*'I've participated in campus recruitment activities at the hospitality schools, and the graduates just have not perceived food-service management as something they want to do,' says Kark Snepp Jr., vice president of human resources for ARA, Philadelphia.*



# FOCUS | LABOR CRISIS

# TARGETING MINORITIES

## *Low pay, discrimination, 'dead-enditis', and a lack of role models are a deterrent*

**By Richard Martin**

As the once-overflowing pool of immigrant labor dries up, hospitality employers in growing numbers are viewing the largely untapped ranks of blacks, Hispanics, and other minorities as potential solutions to the industry's worsening labor shortage.

But minority-rights activists and food-service professionals say the industry suffers from deep-rooted and divisive image problems that are likely to hamper the incipient movement to recruit more minority workers.

The absence of career role models to attract prospective minority employees is one major shortcoming for which food-service firms are blamed.

"As we see role models developing in the industry, we're trying to do more to point them out," says Jim Peterson, National Restaurant Association president. "It is going to be terribly important for minority groups to have role models to follow."

However, presumptions that the industry is rife with racial discrimination may continue to exist because of the glaring dearth of management and executive posts currently held by minorities.

"Women and minorities are not being given the opportunity to come into the hospitality field," asserts Marcia Rafig, general manager of Philadelphia's Penn Tower Hotel and one of only 13 blacks among the nation's 44,000 general managers of hotels with food and beverage operations.

The role-model vacuum is only one stumbling block affecting minority recruitment. Restaurateurs themselves suggest that the strident and vocal opposition of industry lobbyists to minimum-wage hikes has caused widespread resentment and distrust among minorities.

Dead-end jobs in seemingly servile positions are other obvious obstacles to luring minorities onto restaurants' payrolls. Hospitality firms' failure to pay sick leave and other benefits, which are offered by other institutional employers, also causes minority workers to shun jobs in food service.

The industry's public-relations problem with minorities is likely to get worse before it gets better.

Last month, in what was described by the prosecuting NAACP Legal Defense Fund as the largest private employment discrimination suit in history, the 30-state Shoney's Inc. system of more than 1,500 restaurants was charged with a systemwide "antiblack" policy.

The class action, certain to attract reams of unflattering publicity as it unfolds in federal court, revolves around allegations by former black and white employees that Shoney's resorted to firings and hiring quotas to limit the employment of blacks and that it fired white supervisors who refused to carry out the "hostile, racist" policy.

The suit also alleges that blacks were routinely passed over for promotions and were usually assigned to the lowest-paid positions away from contact with the public.

Despite Shoney's denial of the charges, the case is likely to be viewed as another instance of the manpower-strapped restaurant industry shooting itself in the foot.

Obviously, the aura of bigotry and discrimination projected by the Shoney's suit is unlikely to encourage young blacks to consider careers in food service. Ironically, blacks may hold a key to refilling the industry's draining labor pool.

"Only 42 percent of black teen-agers or young adults are in the work force, as opposed to 60 percent of white teen-agers," Stephanie Robinson of the National Urban League told a National Restaurant Association labor conference in January. Moreover, "contrary to public opinion, Afro-American blacks want to work," Robinson says.

Indeed, the Shoney's suit asserts that it was "difficult" for supervisors to comply with alleged demands for a 30-percent-black hiring limit "because blacks applied for the available positions in much greater numbers than whites." Still, jobs carry with

*(Continued on page F36)*

*'As we see role models developing in the industry, we're trying to do more to point them out. It is going to be terribly important for minority groups to have role models to follow.'*

**— Jim Peterson**
NRA president

*'Only 42 percent of black teenagers or young adults are in the workforce, as opposed to 60 percent of white teenagers. Contrary to public opinion, Afro-American blacks want to work.'*

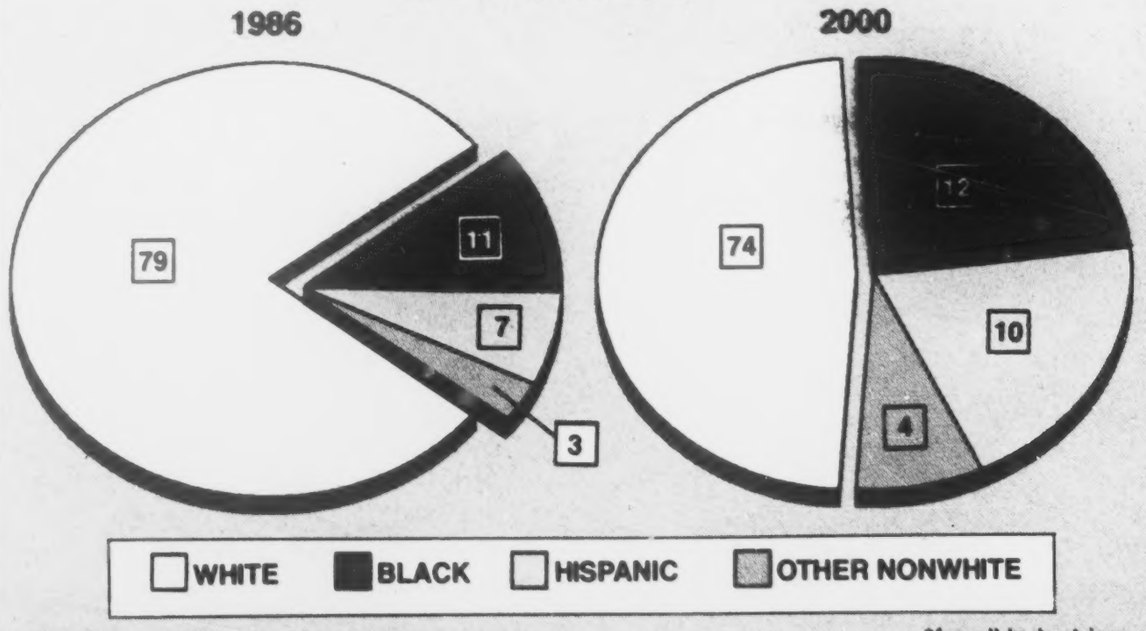
**— Stephanie Robinson**
National Urban League

*Jobs in food service carry with them 'a connotation of "service," and many blacks don't want to be subservient because of all the strife they've gone through.'*

**— Tom Costello**
Management consultant, professor at California Polytechnic University's hospitality management school in Pomona

**THE CHANGING LABOR FORCE***

(by race, in percentages)




Source: Dept. of Labor, Bureau of Statistics

*for all industries

*'Women and minorities are not being given the opportunity to come into the hospitality field. Most minority people employed in hotels are in housekeeping or back of the house positions.'*

**— Marcia Rafig**
General manager of Penn Tower Hotel in Philadelphia

# FOCUS | LABOR CRISIS

**EMPLOYMENT BY RACE AT US EATING AND DRINKING PLACES**

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|
| EMPLOYEES (in millions) | 4.875 | 5.095 | 5.244 | 5.312 | 5.423 | 5.480 |
| BREAKDOWN BY RACE (in percentages) | | | | | | |
| White | 80.7 | N/A* | N/A | N/A | N/A | N/A |
| Black | 8.5 | 9.7 | 10.1 | 10.3 | 10.9 | 10.3 |
| Hispanic | 6.3 | 6.8 | 7.9 | 8.2 | 8.6 | 9.9 |
| Other non-white | 4.5 | N/A | N/A | N/A | N/A | 5.1 |

* N/A signifies unavailable information.
Source: Dept. of Labor, Bureau of Labor Statistics, Current Population Survey.

## MINORITIES

*(Continued from page F32)*

them "a connotation of 'service,' and many blacks don't want to be subservient because of all the strife they've gone through," says Tom Costello, a management consultant and a professor at California Polytechnic University's hospitality management school in Pomona.

Preconceptions about minorities abound throughout the industry. "Minimum-wage positions very often will continue to be looked down upon by people on welfare," a ranking official of the California Restaurant Association says when asked to explain the co-existence of the food-service labor shortage and high minority unemployment.

Hotel manager Rafig offers another explanation. Industry associations and leading hospitality companies are "still basically run by white males," she explains. Many of those executives believe minority workers, regardless of their ambitions or educational credentials, are best suited to slow-track slots in stereotypical work environments.

"Most minority people employed in hotels are in housekeeping or back-of-the house positions," Rafig asserts. She cites as an example of limited opportunities the fact that in Philadelphia, the nation's fourth-largest city, only one black and one woman hold jobs as food and beverage managers.

Minority management candidates with bachelor's degrees in hospitality management are routinely shunted into housekeeping departments in even the largest and seemingly most progressive companies, Rafig adds.

Calling for the creation of more positive minority role models in management positions, Rafig stresses she is "not talking about quotas or numbers; I'm talking about equal access."

Quoting analyst George Rice, president of GDR/CREST, from a speech he delivered at the International Foodservice Management Association conference, Rafig refers to the "serious undermining of [the industry's] management base." Rafig concludes that, regardless of questions about fairness and equal opportunity, the industry must take a pragmatic stance to cultivate future managers: "If we don't start taking in minorities and women, we're not going to have anyone to manage" businesses, she says.

Self-interest, in terms of the cultivation of a minority clientele, may also help to create employment opportunities for minorities. Such lucrative convention clients as the National Black Bar Association and other free-spending minority groups of doctors, lawyers, and educators "are going to demand to know about [hotels'] affirmative action plans, especially how many minority workers are in management positions," Rafig predicts.

Although the hospitality industry may be squandering opportunities to reach out to blacks, it has been able to tap the Hispanic population as a dynamic human resource. Particularly in California, Hispanics "are the backbone of the industry in all hotels and restaurants," says Cal Poly professor Costello.

According to Department of Labor figures, Hispanics account for the fastest-growing segment of workers in food service. Moreover, while the nation's white population ages and its traditional entry-level resource of young people diminishes in many regions, the average age of the booming Hispanic population is declining, with half currently below 25 and one-third under age 18.

What's more, California, Texas, Florida, Illinois, and New York are expected to enjoy growth in the ranks of young workers because of the fact that 87 percent of the nation's Hispanic population resides in those states.

Addressing the National Restaurant Association's recent labor conference in Washington, D.C., Siobhan Nicolau of the Hispanic Policy Development Project sought to dispel pervasive stereotypes about Hispanic workers. "The majority of young Hispanics are native-born, which means we *do* speak English," Nicolau said. Moreover, "Hispanics work more hours while they are going to school than any other group in the United States, and more young Hispanic males hold down full-time jobs when they are in high school than any other group."

NRA president Peterson said his Whataburger chain often has problems promoting Hispanic employees into management jobs "because of the employees' lack of desire to go any further" than hourly positions. Rather than become managers, Peterson said, "they would rather stay at a level where they feel comfortable."

However, Nicolau said the problem for Hispanics is that "we all imagine we can never get to become the manager. The solution involves the restaurant industry's reaching out to young people as early as middle school."

A report by the National Institute for Work and Learning concluded that Hispanics, unlike other young fast-food workers, voiced desires to make careers in the restaurant industry if only they could see that careers existed.

In the same vein, Nicolau urges hospitality employers to offer Hispanics more role models. "Show them that there is light at the end of that tunnel," she says. "Our problem is believeing we can't get up there to manage those restaurants."

## Language barriers, negative attitudes discourage minorities

By Richard Martin

LOS ANGELES — Does "machismo" prevent proud, young Hispanics from seeking jobs as paper-hatted burger flippers?

Do peer pressures among inner-city youths — and urban gangs' lucrative involvement in drug sales — restrain significant numbers of minority workers from seeking restaurant jobs?

Clear, unassailable answers to those questions are elusive. So are simple means to close the language and culture gaps that persistently separate hospitality employers from segments of the minority labor pool.

Other questions persist: Are minorities kept from food-service employment by foreign-language dependencies and functional illiteracy? Do disadvantaged ethnic groups disdain entry-level jobs in food service because those positions smack of historical subservience?

Intuitively, operators sense the answer to those questions often is yes. But some restaurateurs are helping minority workers solve job-access problems. In return for such aid, minority employees reward those bosses with longer-than-average stints on the job.

*'If you take care of your people they'll stay with you,' Franks adds. 'If you have the attitude that minorities are a cheap way to meet your labor needs, you're fooling yourself.'*

Restaurateurs Michael Franks and Robert Bell, co-owners of Chez Melange in Redondo Beach, Calif., covered the costs for lawyers for their 15 Hispanic employees who needed help qualifying for immigration amnesty. "Those employees, including many who've been with us for the six years since we opened, are still with us today," Franks says.

"If you take care of your people they'll stay with you," Franks adds. "If you have the attitude that minorities are a cheap way to meet your labor needs, you're fooling yourself."

Michael McCarty, owner of the award-winning Michael's restaurant in Santa Monica, Calif., still benefits from an unusual career opportunity he extended some five years ago. After New York-bound celebrity chef Jonathan Waxman decamped from Michael's, McCarty appointed the talented Martin Garcia, a former dishwasher at Michael's, as the restaurant's chef. Garcia is now corporate chef over McCarty's three restaurants in Santa Monica, Calif., Denver, and Washington, D.C. He'll be involved in bringing the Michael's style to the restaurant's forthcoming New York branch.

"I see smart people as a minority," McCarty explains. "No matter who they are, if workers can do the job, they should have the chance."

Company-owned Sizzler Restaurants in Los Angeles also cultivate their Hispanic human resources to good advantage. "A lot of our managers are Spanish-speaking or of other ethnic groups," says company president Tom Gregory. Some of Sizzler's regional vice presidents are Hispanic, too, Gregory adds.

The hiring patterns at Sizzler reflect the diverse ethnic population of Los Angeles, where all racial groups, including whites, are minorities. "Inadvertently, without even trying, we hire a lot of minorities," Gregory notes. "In our business, certainly at the entry level, there's absolutely no discrimination."

However, language differences require that employers use certain techniques to fully assimilate minority workers. "Most of our training programs are [televised] on laser disc, so trainees don't have to be particularly literate" to comprehend work routines, Gregory said. "Many back-of-the house workers speak no English, but that doesn't stop them," he adds.

At an operation like Sizzler, workers who don't speak English can graduate to the front of the house — if not as servers then as salad bar attendents earning $6 or more an hour. "And they're usually very good," Gregory notes.

Unfortunately, the kind of graphic training aids Sizzler uses is not always available. "We recently showed a Department of Agriculture film on sanitation, and it and the support materials with it were in English," says Chez Melange's Franks, whose 93-person staff is about one-third Spanish-speaking. "If the film had been in Spanish, it would have been doubly helpful."

Problems experienced in the immigrant mecca of Los Angeles, which also has large American-born Hispanic and black populations, may shed some light on the emerging task faced nationally by employers trying to assimilate minorities into their work forces.

Difficulties in the Los Angeles school system are one factor that may dramatically affect the future labor pool of the Southern California hospitality industry. White students as a percent of the total student enrollment have declined since 1970 from 50 percent to 16 percent, and Los Angeles schools currently are unable to deal adequately with an enrollment that speaks 81 different languages — sometimes 20 in the same classroom.

The fact that many minority students, all of them potential hospitality workers, graduate from high school with less than adequate communications and arithmetic skills is not surprising. For their part, restaurateurs here stand to suffer because of limits on their ability to tap the ranks of prospective entry-level workers.

"It's a broader issue than whether you're trying to hire minorities or not," explains Sizzler's Gregory. "Often it's a question of 'unemployed' vs. 'unemployable.'"

# FOCUS | LABOR CRISIS

# GOOD PLACES TO WORK

## *Operators stop high turnover with employee involvement*

**By Jack Hayes**

In 1903, George Bernard Shaw wrote a play about marriage that would turn the heads of many restaurant owners today.

Candida, the beautiful heroine of that play, struggled to choose between her husband and her lover, eventually discovering it takes dignity to make a relationship work.

Operators who are winning the battle of high staff turnover — which is more like a war of broken relationships — may be learning from employees that dignity is also important in the workplace.

At McGuffey's, for example, a five-unit casual operation based in Asheville, N.C., painful turnover came to a dramatic halt after management began allowing the staff a real say in the day-to-day business of serving customers.

And at The Ritz-Carlton, where 3,500 food and beverage employees are called "ladies and gentlemen" by a president who dines and jokes with kitchen cooks, it's not surprising that turnover stays below 30 percent in 12 hotels.

But even in the fast-food segment, where turnover, according to industry statistics, remains at alarming levels, operators are realizing that employees work for more than just money.

Hardee's Food Systems, for example, just launched a 10-store test program to pay a portion of child-care assistance for employees based on the length of time they've been with the company.

Labeled "Small Fries," the new program gives from $20 to $30 a week directly to approved child-care centers, benefiting workers at every level, from assistant manager to crew, who use child care.

Admittedly involving an expenditure up front, the Small Fries effort hopes to pay off in better retention, something all fast- food operators seem to be desperate for, to the degree it sets Hardee's apart from competitors not "caring as much."

"I'm no more important than a waiter," says Ritz-Carlton president Horst Schulze, who claims his goal is an environment where employees "belong" rather than just "work for."

Managers at Ritz-Carlton say that Schulze has a 24-hour-a-day open-door policy when it comes to handling staff problems.

"Caring is the exception that really works in this industry," adds Keith Dunn, president and chief executive of McGuffey's and 1989 North Carolina Restaurateur-of-the-Year.

With its newest restaurant, in Knoxville, Tenn., open less than a month, McGuffey's continues proving that employees, like spouses, remain loyal to the extent that they are loved and given a voice.

"The No. 1 motivator of people is recognition," says Dunn, who has neither office nor secretary and spends 100 percent of his time inside the restaurants.

One of the things McGuffey's 400 people realize from day one is that they are part of a family that sees and rewards performance. Dunn himself spends three hours with new staff members, and peer evaluations continue every two months.

At the Ritz-Carlton, advancement potential is considered just as crucial to staffers who either move up in the same hotel or transfer as properties are opened in new markets.

"Labor is your highest cost," admits Herve Jean-Louis Humler, corporate food and beverage director for the Ritz-Carlton. "But when labor is happy, it becomes efficient, productive, and profitable."

"We saw this labor shortage coming," adds Dunn, who claims his operational success grew from a turnaround in philosophy after he and vice presidents Michael Brandson and Richard Liabson toured restaurants across the Southeast for ideas on curing turnover.

One of their discoveries was that restaurant managers can't work 70-hour weeks indefinitely, regardless of the pay. So every shift at a McGuffey's restaurant has four managers on duty: two in the kitchen and two in front.

"Decent working conditions make the difference," says Dunn, whose managers earn less than those at Chili's and Bennigan's but also get less burnt out and stay with the company longer.

At the same time McGuffey's pays big bonuses and gives incentives to staffers who contribute to profitability. Management bonuses are 10 percent of company profits. All managers have health club memberships.

Hourly employees get paid vacations, paid medical and dental insurance, and also profit sharing as well as two dozen other perks like free shift meals and the right to buy appetizers, drinks, and desserts for guests.

Every year half of McGuffey's management staff gets an all-expenses- paid trip to Chicago to attend the National Restaurant Association Show, just one of a dozen and a half monetary investments the company began making in 1987.

**BETTER TRAINING TOPS LIST OF LABOR SOLUTIONS**
**(percent of managers taking action)**

| | Already done | Expect to do |
|---|---|---|
| Improve training | 40 | 32 |
| Increase starting wages | 32 | 24 |
| Improve benefits | 18 | 21 |
| Expand recruiting | 16 | 23 |
| Increase hours worked | 16 | 17 |

Source: National Restaurant Association Gallup Survey, 1988

## Bob Evans' pay package aims to develop managers 'roots'

**By Peter Romeo**

COLUMBUS, Ohio — After watching labor costs slice restaurant profit margins by a full percentage point, the Bob Evans chain is fighting back with a new compensation program for its unit managers.

The revamped pay package aims to curtail turnover by fostering the community ties that can gently bind a store chief to a location. By encouraging managers to set down roots, Bob Evans is also striving to brake the changeover of hourly unit staffers.

"Research shows that the key to stabilizing turnover of our hourly people is keeping the manager in place," says Victor Argobright, vice president and director of operations for the 221-unit family-restaurant chain. "Our turnover rate for unit managers is 15 percent. We want to bring that down to 10 percent."

The approach aims a hammer blow at the widely followed practice of dispatching seasoned unit operators to revive a faltering store or bring a new restaurant up to speed.

"Everybody moves their managers around, and we did it, too," Argobright explains. "Our intent now is to stabilize managers at one location in the hope they'll come to identify with the local community. It helps us sales-wise because they come to know the local market well, and it helps them because our manager is usually a family man.

"We hear things all the time like 'We can't buy a house because we move around so much.'"

Under the new compensation package, restaurant managers can boost their pay in two ways: surpassing sales quotas by a certain percentage or driving up profits.

"The unique factor is the bonus based on sales," Argobright says. "I don't think anyone in our business [segment] has paid for top-line performance."

*(See **BOB EVANS**, page F50)*

# BK franchisee fights turnover with day care

**By Carolyn Walkup**

GRAND RAPIDS, Mich. — A 19-unit Burger King franchisee has attracted a stable work force through a variety of employee incentive programs led by free child care for working parents.

When the traditional part-time labor market of 16 to 24-year-olds began to dwindle a few years ago, the franchisee, B.B.D. Business Consultants, headed by Daniel Trierweiler, polled its employees for ideas on attracting and keeping new workers. "We found that the biggest potential for employees was young mothers. Their No. 1 concern is adequate, affordable child care," says Jayne Thome, B.B.D. human resource coordinator.

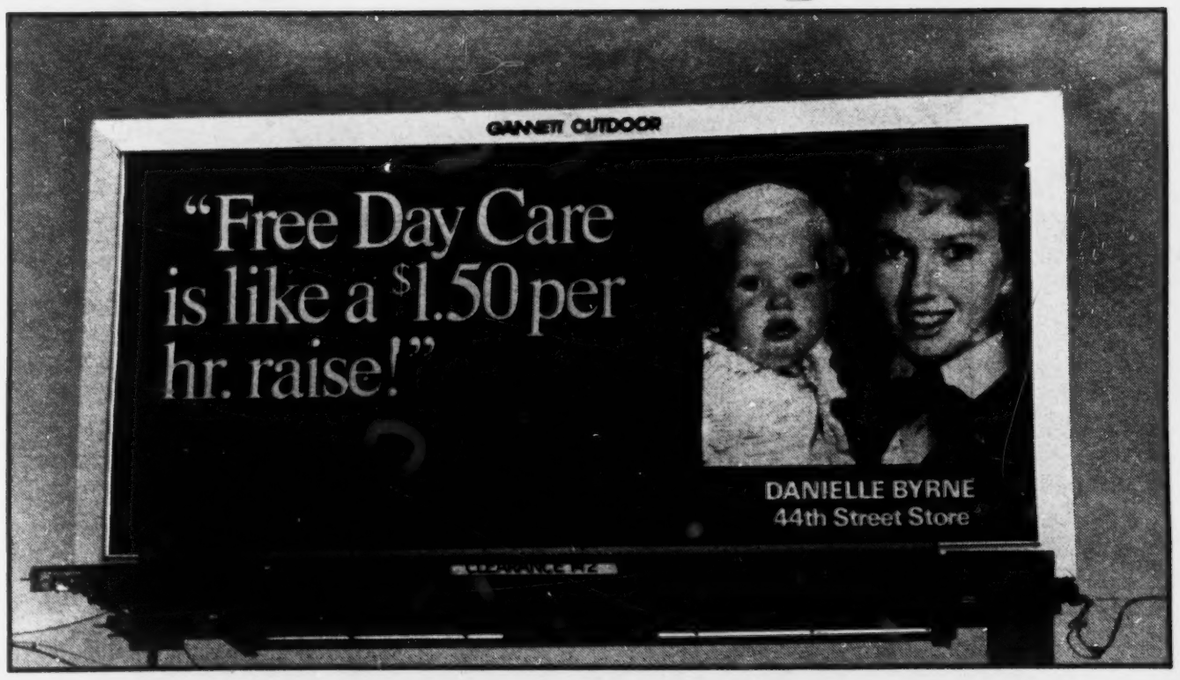
B.B.D., under the leadership of Stuart Ray, director of operations, started a pilot free day-care program at two of its northern Michigan restaurants in 1986. "It was very well received, so we put it in all of the restaurants," Thome said.

Of the 115 new employees in the past year who are parents, 103 applied for jobs because of the child-care benefit, which pays local day-care providers $1.50 an hour. Of those 103 applicants, 70 percent are still employed, and 56 percent of them are single parents, Thome notes.

At one restaurant alone 10 of the 17 employees who work the lunch period are day-care moms. "If it weren't for them, we probably would have to shut the doors," Thome observed.

B.B.D. chose to pay for employees'

*(See **BK**, page F52)*




**Billboard advertises Burger King's free day care program.**

# FOCUS | LABOR CRISIS

# JOB CHANGES

## *New NRN survey reveals supervisors seek more responsibility, opportunity*

**By Rick Telberg**

Although food service is notorious for burdening its managers with long hours and often low wages, front-line supervisors say in a new survey that what they want most is even more responsibility and greater opportunity.

In an exclusive Nation's Restaurant News survey, an overwhelming 85 percent of food-service professionals say opportunity for advancement is their chief consideration in changing jobs.

A company's reputation as an employer ranked second, with 70 percent of those polled saying it was a very important factor in considering a job change. And the overall image of a company ranked third, at 66 percent.

Salary ranked fourth, at 65 percent, and work hours ranked a distant 13th, at 27 percent.

The NRN study, performed by the research department of NRN parent Lebhar-Friedman Inc. in New York, sheds dramatic new light on what drives food service managers to change jobs.

In the study NRN mailed questionnaires to 1,000 store-level or regional managers drawn from the NRN base of subscribers and received 321 responses.

The study also draws a vivid demographic profile of the typical industry manager, his income, and his job-hopping habits.

### 3 of 10 managers are new

The study found that almost three out of 10, or 28 percent, of all managers had changed companies within the past two years, with turnover highest at independent companies in general and dinner houses in particular.

Specifically, 25 percent of the chain managers are new in their jobs, compared with 36 percent of the independent managers.

By segment, dinner houses lead in turnover, with 43 percent of the managers less than two years in their jobs, compared with a low of 18 percent in fast food, 20 percent in fine dining, 23 percent in business and industry food service, 28 percent at family restaurants or coffee shops, and 36 percent at hotels and motels.

The most recent job-changers also rate money as more important than most managers do.

Of the managers who changed jobs within the past two years, 62 percent agreed that obtaining more responsibility or making an advance was a very important factor. But 53 percent say more money and benefits was very imporant.

Relocation followed at a distant 18 percent, followed by lack of recognition at the former company, 16 percent.

Ten percent say they went looking for a new job because they were laid off or fired from the last one.

The biggest layoffs came in fine dining, where 25 percent say they had been fired. Only 5 percent of the fast-food managers say they had been dismissed.

### Flocking to full service

The survey also suggests that, in an overview of all segments, the industry's managers are flocking primarily to dinner houses and fine-dining restaurants.

A full 25 percent of the managers polled say they would prefer to work next in a dinner house, with the biggest defections coming from family restaurants.

Business and industry managers appear the most loyal to their segment, with 91 percent saying that they hope their next job will still be in that area.

Meanwhile, fast-food managers appear the least loyal to their segment, with 46 percent of them saying they want to switch segments.

Most disenchanted fast-food managers want to go into dinner houses or fine-dining restaurants.

About 38 percent of all family restaurant managers say they are unhappy with the segment, with most of them expressing a preference for dinner houses or fine-dining restaurants.

## Food-service pro sports new look

The typical food-service professional is not the youthful job-hopper he was 10 years ago.

Today he — it's almost always a "he" — is a 35-year-old married college graduate with only three jobs in his 14 years in the business.

His latest position has lasted more than four years, and he is earning well over $40,000 a year.

The profile emerges from demographic data obtained in the exclusive Nation's Restaurant News survey of job-change attitudes among food-service professionals.

What follows are thumbnail sketches of the industry's profesionals, by segment.

**FINE DINING**

**Age:** 32.2 years, the youngest group in the survey.

**Income:** $39,700 a year, the least.

**Education:** Only 25 percent have college degrees. Another 25 percent have had some college. But a hefty 10 percent have advanced degrees.

And *(See NEW, page F56)*

| HAVE YOU CHANGED JOBS IN THE LAST TWO YEARS? (Overall, in percent) | |
|---|---|
| No | 72 |
| Yes | 28 |

| (Chain vs. independent, in percent) | | |
|---|---|---|
| Type of company | Yes | No |
| Independent | 36 | 63 |
| Chain | 25 | 75 |

| (By job title, in percent) | | |
|---|---|---|
| Job title | Yes | No |
| Unit manager | 35 | 65 |
| Regional manager | 17 | 82 |

| WHY WOULD YOU CHANGE JOBS? (Asked of all managers, in percent) | |
|---|---|
| Advancement opportunity | 85 |
| Company's reputation as employer | 70 |
| Company's overall image | 66 |
| Salary | 65 |
| Health, insurance benefits | 63 |
| Company's financial stature | 61 |
| Relocation assistance | 52 |
| Experience to be obtained | 51 |
| Bonus program | 47 |
| Job location | 39 |
| Availability of training programs | 35 |
| Type of restaurant* | 34 |
| Work hours | 27 |
| Non-monetary recognition** | 20 |
| Size of company | 10 |

* I.e.: fast food or dinner house
** I.e: awards

| WOULD YOU CHANGE SEGMENTS? (Percent answering yes, by segment) | |
|---|---|
| Fast food | 46 |
| Family restaurant | 38 |
| Hotel, motel | 29 |
| Dinner house | 23 |
| Business & industry | 9 |

| HOW LONG HAVE YOU WORKED IN THE INDUSTRY? (By segment, in mean average years) | |
|---|---|
| Hotel, motel | 17.6 |
| Business & industry | 16.0 |
| Family restaurant | 14.2 |
| OVERALL AVERAGE | 14.2 |
| Dinner house | 13.4 |
| Fast food | 12.7 |
| Fine dining | 10.6 |

| HOW LONG HAVE YOU HAD YOUR CURRENT JOB? (By segment, in mean average years) | |
|---|---|
| Family restaurant | 5.3 |
| Business & industry | 4.4 |
| OVERALL AVERAGE | 4.2 |
| Fast food | 4.1 |
| Hotel, motel | 4.0 |
| Dinner house | 3.3 |
| Fine dining | 3.0 |

| HOW MANY FOOD-SERVICE COMPANIES HAVE YOU WORKED FOR? (Average, by segment) | |
|---|---|
| Hotel, motel | 4.6 |
| Dinner house | 3.7 |
| OVERALL AVERAGE | 3.2 |
| Family restaurant | 3.1 |
| Business & industry | 2.8 |
| Fine dining | 2.7 |
| Fast food | 2.7 |

| HOW OLD ARE YOU? (Mean average years, by segment) | |
|---|---|
| Business & industry | 39.0 |
| Hotel, motel | 38.8 |
| OVERALL AVERAGE | 35.7 |
| Fast food | 34.8 |
| Family restaurant | 34.8 |
| Dinner house | 33.3 |
| Fine dining | 32.2 |

Source: Nation's Restaurant News

## More from the NRN survey

More charts from the survey on job changes appear on page F56

# FOCUS | LABOR CRISIS

## THE NEW PROFESSIONAL

*(Continued from page F54)*
another 10 percent is a culinary school or hotel, restaurant, and institutions school graduate, the highest proportion of specialized training in the survey except for hotel food-service managers.

**Years in current job:** 3.0, the lowest.

**Industry experience:** 10.6 years, also the lowest.

**Number of jobs held:** 2.7 years, again the lowest.

**Segment preference:** These may be the happiest managers in industry, second only to business and industry managers. A full 80 percent say they want to remain in fine dining.

### BUSINESS & INDUSTRY

**Age:** 39 years old, the oldest in the survey.

**Income:** $48,600 a year, the highest in the survey.

**Education:** With 9 percent holding advanced degrees, B & I managers are among the best educated people in the industry. Another 45 percent have undergraduate degrees, and 27 percent have had at least some college.

**Years in current job:** 4.4 years.

**Industry experience:** 16 years, second only to hotel food-service managers.

**Number of jobs held:** 2.8, one of the most stable in the survey.

**Segment preference:** An overwhelming 91 percent say they hope their next job will be in B & I. The rest are split between wanting to work in fine dining and in dinner houses.

### THE FOOD-SERVICE PROFESSIONAL
(A statistical profile)

- Male.
- 35.7 years old.
- Married.
- College educated.
- Annual salary: $43,200.
- Experience in the food service industry: 14.2 years.
- Tenure with current employer: 4.1 years.
- Number of companies worked for: 3.2

Source: Nation's Restaurant News

### FAST FOOD

**Age:** 34.8 years old.

**Income:** $41,700 a year.

**Education:** The second best-educated group in the survey. Forty-four percent have college degrees. Another 32 percent have some college.

**Years in current job:** 4.1 years.

**Industry experience:** 12.7 years.

**Number of jobs held:** 2.7, among the fewest in the survey.

**Segment preference:** Only 54 percent say they would make their next job fast food, the lowest satisfaction rate in the survey. Of those who want to change segments, the top preferences are almost tied at dinner houses, with 11 percent; fine dining, at 10 percent; and business and industry, 9 percent.

### DINNER HOUSE

**Age:** 33.3 years old. Only fine-dining managers are younger.

**Income:** $40,700 a year. Again, only fine-dining managers earn less.

**Education:** 46 percent are college graduates, and 21 percent have some college.

**Years in current job:** 3.3.

**Industry experience:** 13.4 years.

**Number of jobs held:** 3.7.

**Segment preference:** A strong 77 percent are happy with dinner houses. But another 15 percent say they would like to shift to fine dining. Seven percent say hotels.

### FAMILY RESTAURANT

**Age:** 34.8 years old.

**Income:** $43,000 a year.

**Education:** The lowest number of college graduates in the survey, 22 percent. Forty percent have some college.

**Years in current job:** The highest tenure in the survey, 5.3 years.

**Industry experience:** 14.2 years.

**Number of jobs held:** 3.1.

**Segment preference:** Almost two-thirds, or 62 percent, would take their next jobs in the same segment. But 21 percent would prefer a dinner house and 7 percent fine dining.

### HOTEL, MOTEL

**Age:** 38.8 years old.

**Income:** $41,600 a year.

**Education:** More college graduates in this group than in any other, 50 percent. The highest proportion of advanced degrees and specialized training, 14 percent each. Another 14 percent have had at least some college.

**Years in current job:** 4.0.

**Industry experience:** 17.6 years, the longest of all groups in the survey.

**Number of jobs held:** 4.6, also the highest.

**Segment preference:** Some 71 percent say they are happy with hotel food service. But they would consider a dinner house, a business and industry location, or a private club.

NRN Photo

**Donald I. Smith, right, Westin Hotels Distinguished Professor, presents award plaque to Jackie Trujillo, president of Harman Management's Kentucky Fried Chicken units and a featured speaker at WSU conference.**

### HAVE YOU CHANGED JOBS IN THE PAST TWO YEARS?
(By segment, in percent)

| Segment | Yes | No |
|---|---|---|
| Dinner house | 43 | 57 |
| Hotel, motel | 36 | 64 |
| Family restaurant | 28 | 72 |
| Business & industry | 23 | 77 |
| Fine dining | 20 | 80 |
| Fast food | 18 | 81 |

Source: Nation's Restaurant News

### HOW MUCH DO YOU EARN ANNUALLY?
(Mean average dollars, by segment)

| | |
|---|---|
| Business & industry | $48,600 |
| OVERALL AVERAGE | $43,200 |
| Family restaurant | $43,000 |
| Fast food | $41,700 |
| Hotel, motel | $41,600 |
| Dinner house | $40,700 |
| Fine dining | $39,700 |

Source: Nation's Restaurant News

## Execs agree: Managers need motivating, too

PULLMAN, Wash. — Motivating regional, district, and unit managers to excel was emphasized last month at Washington State University's fourth annual Conference on Strategic Issues in Fast Service.

"You don't get things done through advanced technologies; you get them done through people," declares Bill Bensyl, Taco Bell senior vice president for human resources. He lists key management principles that have succeeded for Taco Bell as "instilling the desire to achieve," "getting out of the way" so people can do their jobs, "challenging and stretching" employees to achieve their goals, "encouraging mistakes," "playing with passion," and "making it fun."

Bensyl showed a videotape dramatizing how Taco Bell's leading district managers, each handling an average of six units and 150 employees, utilize high energy, commitment, and a willingness to take risks.

Jackie Trujillo, president of Harman Management's KFC franchise units, stresses Harman's management-ownership plan, under which the top two managers in each unit can purchase up to 40 percent of the unit. "They become the entrepreneurs of their own one-unit company, and the unit crews really work for them, not for the corporation," she observes.

Tom Champoux, vice president of The Effectiveness Institute, asserts that "a lot of the technical skills training we take into corporations is useless." Although "there's a lot of talk

*(See WSU, page F117)*

### WHY DID YOU CHANGE JOBS?
(Asked of only those who changed jobs in the past two years, in percent)

| | |
|---|---|
| More responsibility, advancement | 62 |
| More money, benefits | 53 |
| Relocation | 18 |
| Lack of recognition | 16 |
| Laid off, fired | 10 |
| Lack of training | 8 |
| Dissatisfaction with former company | 6 |
| Became self-employed | 3 |
| All other reasons | 16 |

Source: Nation's Restaurant News

# FOCUS | LABOR CRISIS

## GOVERNMENT WAGE HIKE

*(Continued from page F67)*

Missouri, Nebraska, New Jersey, and Massachusetts.

**Liquor liability persistent concern**

On another front, restaurateurs who serve alcoholic beverages with their meals are keeping a close eye on legislation that will have an effect on liquor sales and liability. For example, a few states are beginning to look at mandatory certification of alcoholic beverage servers.

Maryland restaurant officials faced with a state bill requiring on-premises alcohol licensees to have employees trained in alcohol awareness elected to work with state officials to devise a program restaurateurs could live with, according to Restaurant Association of Maryland executive vice president Marcia Harris.

"In anticipation of passage, the Restaurant Association of Maryland launched RAM TIPs, a program of Training for Intervention Procedures by Servers of alcohol," Harris says. The nationally recognized alcohol awareness program was developed by experts in alcohol, law, training, and education and will be taught in restaurants as well as in other "convenient, statewide locations."

In contrast, Florida restaurant officials are fighting a state law calling for voluntary alcohol awareness certification. The Florida proposal would offer restaurateurs reduced penalties if they are found in violation of state liquor laws but are using certified employees. FRA officials said the industry is concerned about setting a precedent that could lead to mandatory certification.

In Massachusetts the restaurant industry is mounting an effort to overturn the state's controversial "last drink" law. The law requires a convicted drunk driver to name the establishment that was serving him before the accident. However, according to the MRA, the driver is not under oath, and the information is often not "credible." The MRA contends that state liquor authorities are using the unreliable information against restaurants.

Louisiana restaurateurs who serve liquor, however, are protected by legislation that specifically limits the liability of the server of alcoholic. Describing the Louisiana law as one of the country's strongest "dram shop" laws, Louisiana Restaurant Association executive vice president Jim Funk said LRA members are again preparing to fight liquor liability reformers who try each year to "gut" the law.

Massachusetts restaurateurs, however, are supporting a pair of bills that would offer restaurants and taverns in that state some protection against penalties for serving liquor to minors. One measure would provide for a special "date-of-birth" form to be filled out by the customer "under penalty of perjury." The completed form would "relieve the retailers of any liability for selling an alcoholic beverage to the minor."

Another bill would require the issuance of liquor-purchase indentification cards for persons more than 21. A restaurateur who relied on the ID for proof of age would be protected against criminal liability for serving alcohol to a minor.

**Higher alcohol taxes**

State lawmakers are also considering levying additional taxes on alcoholic beverages. A Washington proposal would establish a "substantial" alcohol, tobacco, and candy tax that could reach $5 per bottle of liquor, based on gross sales, according to Restaurant Association of the state of Washington executive vice president John Gordon. He said sections of the bill "are under heavy fire" but warned that a scaled-back version could get through the legislature.

Similarly, Connecticut lawmakers are reviewing a "deficit reduction" measure that would put a 15-percent surtax on the corporate income tax and increase "sin taxes" on beer, wine, liquor, and cigarettes.

**Another smoking gun**

Legislators in many states are stepping up efforts to force restaurants to provide no smoking sections. California restaurant industry officials listed "no smoking" legislation as their No. 3 concern, immediately after measures mandating health benefits and third-party liquor liability. One pending California bill would totally ban smoking in restaurants unless the smoking area is separated by a partition from the rest of the restaurant and has its own, separate ventilation system.

The Restaurant Association of Maryland sidetracked efforts in that state to enact mandatory no-smoking regulations. Sponsors of the legislation withdrew the bill after the group's decision to promote the voluntary establishment of non-smoking areas in restaurants.

According to RAM officials, an increasing number of diners want a choice of seating, and "successful restaurateurs always give the customers what they want." Announcing the accord with the Maryland Legislature, the officals say, "When business and government get the job done without legislation, they both come out ahead."

Other states proposing "no smoking" measures include Florida, Mississippi, North Dakota, New York, Indiana, Missouri, Vermont, Colorado, Delaware, Connecticut, Nevada, Illinois, Nebraska, Idaho, Rhode Island, South Carolina, Alabama, Georgia, Kansas, Massachusetts, and Minnesota.

State legislation in other categories could also affect food-service operations, including:

• Bad checks: New laws — Wyoming will prohibit an employer from holding a worker responsible for accepting a dishonored check. Pending — North Dakota would require a person paying with a bad check to make full restitution of the check amount and any charges incurred by the holder. Wyoming would prevent an employer from holding a worker responsible for accepting a dishonored check. Colorado would eliminate the requirement that a holder establish intent in order to recover treble damages.

Kansas would impose civil liability on writers of bad checks. New York would allow the holder to sue the check writer for damages if the check is not paid within 15 days of the second notice.

Other states considering bad-check legislation include Massachusetts, Alabama, Connecticut, Georgia, Mississippi, Arkansas, Arizona, Indiana, Ohio, South Carolina, California, Nebraska, and North Dakota.

• Business Closing: Pending — Illinois would require employers with more than 100 workers to give 60 days' advance notice of closing or relocating a facility more than 100 miles away. Massachusetts would require employers who have more than 100 workers and terminate or relocate to pay each worker severance pay equal to one week's pay for each year of employment. Washington would require severance pay equal to one month's pay for each year of service, capped at 12, for closure or business sale. Connecticut would require employers of more than 100 to give six month's notice of plant closing or relocation. Minnesota, would require employers to give 120 days' advance written notice of closing

*(See GOVERNMENT, page F117)*

## Child labor violations jump 133%

By Rajan Chaudhry

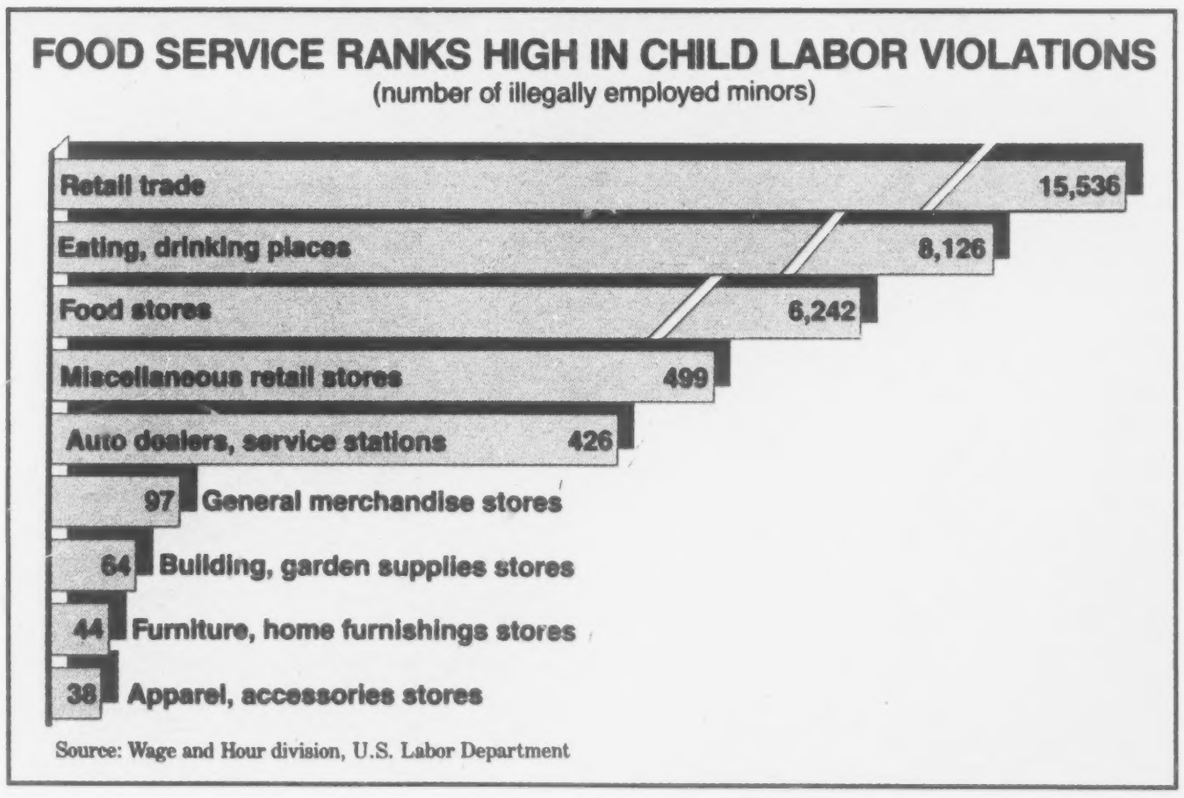
Restaurateurs, forced by a dearth of labor to employ younger teens in greater numbers, are increasingly running afoul of child-labor laws.

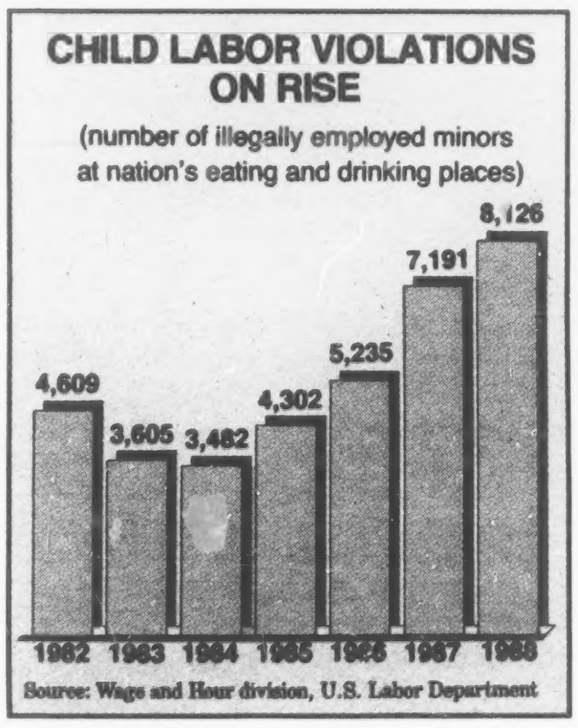
Since 1984 the number of child-labor violations at the nation's eating and drinking places has leaped 133 percent, to 8,126. And the food-service industry, the largest employer of teens, continues to lead all others in number of infractions.

"Our feeling is that employers first exhaust the supply of older workers because they don't have to worry about hours and times of day," says Bill Fern, an analyst with U.S Labor Department's wage and hour division. "And once that pool is used up, they start hiring younger workers to fill in the holes, and this has led to more violations."

From 1975, the year in which Congress established civil monetary fines for infractions, to 1984, violations had been steadily declining, Fern says.

Fern blames subsequent increases on a change in labor supply rather than a change in operators' attitudes.




"I think employers are fairly compliance-minded when it comes to child labor," he notes.

But part of problem lies with new immigration laws that have checked a vital source of labor, explains Richard C. Johnson, general counsel of the National Restaurant Association. The laws force restaurateurs to rely more on teen-aged workers.

"The demographic problem arises — particularly in the Northeast — because the Immigration Reform and Control Act has shut off the supply of aliens who were previously performing the entry-level tasks," Johnson observes.

Under federal law, workers under 16 may not work more than three hours on school days or eight hours on non-school days. They cannot work more than 18 hours per week when school is in session or 40 hours when school is out. And they cannot work before 7 a.m. or after 7 p.m. except between June 1 and Labor Day.

Workers under 16 are also prohibited from using certain types of machinery, such as meat slicers and grinders, and bakery-type mixers.

Although 16- and 17-year-olds are free from hourly constraints, they also face some equipment restrictions.

State laws vary. But despite pressure by the business community to ease some restrictions, only a handful of states — including New York and New Jersey — are considering plans that would relax rules on employment of minors.

In fact, mounting concern over the quality of American education has prompted several states — including Minnesota, North Carolina, Indiana, and New Hampshire — to propose even tighter legislation.

Last March the Labor Department set up a Child Labor Advisory Committee that includes educators as well as members of trade groups to review child labor policy.

EQUIPMENT

**Equipment dealers stress re-education**

Patt Patterson/Page 59

FOOD

**US restaurateurs do Italian better**

Florence Fabricant/Page 11

EDITOR'S CORNER

**...ma: execs**

...Bernstein/Page F3

NEWSPAPER
SECOND CLASS

Nation's
# Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

Vol. 23, No. 22 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | May 29, 1989

# Carry-out packaging goes upscale

## *Sophisticated containers lead to new off-site menu opportunities*

**By Peter Romeo**

With the on-site dining market as soft as butter on a griddle, many upscale restaurants are embracing a new generation of food containers as their ticket into the still-burgeoning takeout-and-delivery segment.

The snazzy new packages have armed the operators with the long-sought means to transport their delicate concoctions into consumers' homes without sacrificing quality or jeopardizing reputations.

"There are two aspects to the packaging," explains Rick Gilbertson, an Indiana-based takeout-and-delivery consultant. "First, it promotes the same quality image that operators try to convey in their restaurants. And second, it's utilitarian. They're delivering products that are a lot more difficult to transport than pizza."

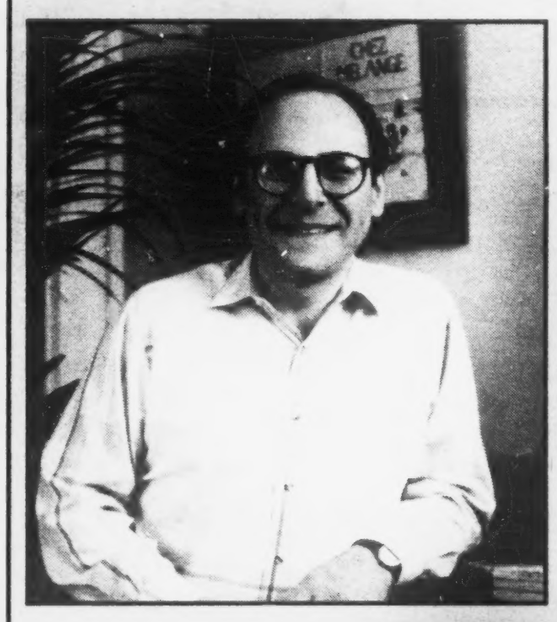
"So you're seeing a lot more designer-type packaging — with more color, more style — made specifically for certain products," he notes.

The trend is reshaping competition in the off-premises dining market in several major ways, not the least of which is the introduction of more upscale and expensive offerings. Couch potatoes bored with pizza or moo shu pork are suddenly being presented with such take-out-and-delivery alternatives as

*(See PACKAGING, page F9)*

**Pan... container bans threaten business**
See page 3

**Innovative packaging spices take-out market**
See Focus



**Michael Franks is launching Fino, a southern European bistro, with partner Robert Bell.**

**Chef Robert Bell, who, with partner Franks, co-owns Chez Melange and latest venture, Fino.**

# *Chez Melange partners unveil European bistro*

**By Richard Martin**

TORRANCE, Calif. — Chez Melange partners Michael Franks and chef Robert Bell are launching a southern European bistro here called Fino, the newest in an emerging crop of restaurants featuring multinational menus of Mediterranean foods.

Garlic and olive oil will be the foremost accents at Fino, scheduled to open early next month as a low-budget spin-off of Franks and Bell's high-grossing Chez Melange international cuisine restaurant in Redondo Beach, south of Los Angeles.

Fino will be "a fun, little, local place" with a food concept falling "somewhere between a Mediterranean bistro and the food of southern Spain," Franks explained.

In California other exponents of eclectic, Mediterranean regional cooking are Opera in Santa Monica, Olivetto in Oakland, and the San Francisco restaurants Lascaux, Maltese Grill, and Square One. The New York City restaurants Eze, Cafe Greco, and Park Bistro also exemplify the genre.

Franks and Bell, intent on feeding their customers' growing appetites for the rustic regional flavors of Italy, France, and Spain, crafted the Fino concept after a recent European research tour and a menu trial at Chez Melange.

"We were in Italy and Provence

*(See FINO, page 73)*

# McDonald's rolls out McChicken sandwich

**By Rajan Chaudhry**

OAK BROOK, Ill. — In its first major product introduction since its launch of prepackaged salads in 1987, McDonald's Corp. has rolled out its McChicken sandwich nationwide. "This . . . sandwich completes the trio of chicken products at McDonald's, including Chicken McNuggets and chicken salad Oriental," chief operations officer Edward H. Rensi told a standing-room-only crowd at the company's annual shareholders meeting here.

McDonald's, the world's largest restaurant company and one of Wall Street's most consistent performers, also drew cheers with its announcement of a two-for-one common stock split and an 11-percent hike in its quarterly cash dividend.

McDonald's newest offering, called Country Style McChicken, is a breast meat sandwich topped with lettuce and mayonnaise.

At about $2.69, the sandwich is one of the priciest items on McDonald's menu and is sure to boost check averages.

*(See MCDONALD'S, page 73)*

# Burger King taps 2 agencies for ad strategy

**By Peter Romeo**

MIAMI — With its comeback hinging on development of effective marketing, Burger King has sought some insurance by hiring two major New York agencies to brainstorm a new strategy for the chain's $215 million national advertising program.

Typically, fast-food chains assign all components of their national advertising campaigns to a single agency. Under Burger King's unorthodox approach, D'Arcy Masius Benton & Bowles will draft campaigns that convey an overall image of the chain, and Saatchi & Saatchi will handle tactical programs focusing on a particular product or promotion.

The "dual-agency partnership" permits "synergizing some of the best

*(See BK, page 73)*

FOOD WATCH

## *Ah, bologna!*

MEMPHIS, Tenn. — If anyone ever tires of barbecued ribs or shredded-pork-shoulder sandwiches in this barbecue capital, there's always barbecued bologna.

John Wills is one of the barbecue restaurants here that feature the dish, consisting of bologna that has been smoked over hickory chips, sliced, grilled, covered with barbecue sauce, and stacked on a hamburger bun. Baked beans and coleslaw are the traditional side dishes, although spaghetti is a common alternative.

Another dish with a strong Italian influence is barbecued pizza, which Wills will feature at his new restaurant, opening this summer. Pork shoulder pieces with barbecue sauce are the pizza topping, along with tomato sauce and cheese.

**— Carolyn Walkup**

MRS. WINNER'S CHAIN SOLD TO ARBY'S FRANCHISEE — Page 4

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Vol. 23, No. 22 May 29, 1989

# NEWS DIGEST

## TW dons 'For Sale' sign in face of Coniston suit

NEW YORK — TW Services, the nation's fourth-largest food-service concern, has put itself on the auction block in the face of a dogged pursuit by hostile suitor Coniston Partners.

The company said it would accept "firm" bids until June 5 for all or part of its food-service empire, which includes the Denny's coffee-shop chain, the Quincy's steak-house system, several hundred franchised Hardee's units, and the Canteen Corp. contract-feeding operation.

Meanwhile, Coniston, a New York investment concern, has asked a Delaware court to order TW to hold a shareholders meeting. TW indefinitely postponed the meeting scheduled for April 26 because of Coniston's $29-per-share takeover bid. Coniston had indicated that it would seek to elect two representatives to TW's board.

After rejecting Coniston's bid earlier this year, TW retained financial advisers to assess the possibility of selling all or part of the company.

## Senate passes $4.55 wage; Bush pledges a veto

WASHINGTON — The Senate has joined the House of Representatives in voting to raise the federal minimum wage to $4.55, setting the stage for a fierce showdown with President Bush over the amount that the pay floor would rise.

A deadlock could prevent any pay increase from being enacted, sparing the industry from an anticipated rise in labor costs.

Bush has told industry officials that he would veto any hike that brings the minimum wage above $4.25, from the current floor of $3.35. Yet neither house of Congress had enough votes to override a presidential veto. And political commentators have speculated that the Democratic Congress may seek to tarnish Bush's image among blue-collar voters by refusing to compromise.

## Mike Jenkins assumes presidency of Ponderosa

CHICAGO — Millionaire John Kluge has tapped Mike Jenkins, the former head of TGI Friday's, to assume the presidency of the Ponderosa steak-house chain, according to widespread reports at the National Restaurant Association show.

Ponderosa's spokeswoman verified that the chain was about to announce a new president, but she would neither confirm nor deny that the appointee was Jenkins. The presidency has been vacant since Frank Holdraker abruptly vacated the post a few weeks ago.

Jenkins resigned the presidency of TGI Friday's in 1988 to pursue the acquisition of a restaurant company. Although he never identified his prey, he stepped down weeks after Pillsbury Co. aired plans to sell the Steak and Ale and Bennigan's dinner-house chains.

The 720-unit steak-house system, based in Vandalia, Ohio, was sold last year by financier Asher Edelman to Kluge's Metromedia communications concern.

## Mercier, Kikugawa to head Callender's

NEW YORK — Wilshire Restaurant Group, concluding its $84.3 million purchase of Marie Callender's from Ramada Corp., has named former Denny's senior executive Roger Mercier as president of the 152-unit family restaurant-and-pie-shop chain.

Mercier, a top strategic vice president and chief counsel of Denny's during the regime of former chairman Vern Curtis, held an equity stake in Denny's after a management-led leveraged buy-out in 1985.

Wilshire, which paid Ramada $54.3 million and assumed $30 million in debt under the terms of the deal, also named veteran restaurant executive Vincent Kikugawa vice president and chief operating officer of the Orange, Calif-based Marie Callender's.

Kikugawa, formerly president of Hungry Tiger and a senior vice president of Host International and W.R. Grace restaurants, most recently was a top consultant to Marriott Corp. on the Allie's concept.

## *Quantum Group buys Morton's chain*

**By Charles Bernstein**

**CHICAGO — In another bold move, Allen J. Bernstein's new Quantum Restaurant Group has acquired the prestigious Morton's Steak Houses, a nine-unit upscale chain based here.**

**Quantum, based in Roslyn Heights, N.Y., earlier purchased majority control of the Atlanta-based Peasant Restaurant Group, where Stephen Nygren remains president.**

**In the Morton's deal, Quantum acquired the interests of Alex. Brown & Sons, the Baltimore brokerage, and Lexington Capital, a Morristown, N.J., investment firm, for an undisclosed amount of cash.**

**A 10th Morton's is set to open in June at Rosemont, near Chicago's O'Hare Airport and within two miles of several leading hotels.**

**Klaus Fritsch, who co-founded Morton's with Arnold Morton in 1978, will remain president, and Michael Archer will retain the post of operations vice president.**

**Morton sold his steak houses two years ago to Alex. Brown and Lexington Capital.**

## Soliman's Naugles renamed Del Taco

NEWPORT BEACH, Calif. — Restaurant magnate Anwar Soliman has begun hoisting the Del Taco name over his 171 Naugles fast-food outlets to conclude a unification of the two Calif.-based taco-and-burger chains he acquired in February 1988.

Soliman merged and expanded the chains' Mexican menu last year and expects to conclude the renaming of Naugles by September. The change will give the former head of the W.R. Grace restaurant group about 370 Del Taco outlets.

The Costa Mesa, Calif.-based Del Taco, under president Wayne Armstrong, will remain a distant second to 2,950-unit segment leader Taco Bell.

Soliman's American Restaurant Group, based here, also operates about 360 other restaurants, including The Black Angus, Grandy's, Velvet Turtle, and Spoons chains.

## 'Turmoil' at Eastern spurs caterer to halt recruitment

NEW YORK — Chelsea Catering Corp., Continental Airlines' Houston-based in-flight caterer, has temporarily halted the hiring of staffers for a planned kitchen here because of the strike by Eastern Airlines' employees.

Chelsea, Continental, and Eastern are all owned by Texas Air, whose treatment of Eastern employees has roused the ire of airline-industry unions. A spokeswoman at Chelsea's headquarters confirmed that the caterer has interrupted recruitment of kitchen staffers here because of the Eastern "turmoil," but she declined further comment.

Chelsea had already begun screening applicants for 240 jobs at the kitchen, according to local business leaders. The facility is being built near LaGuardia Airport.

## Morency to man stove at new Bay City place

SAN FRANCISCO — Peter Morency, executive chef of Les Celebrites at the Hotel Nikko here, will head up the kitchen at a new restaurant being opened by fast-food pioneers Leonce and Carolyn Picot and David Edgerton.

The new restaurant, which has the working name 1001 Nob Hill, is being developed at the site of the old Alexis, off California Street in San Francisco. The owners have tentatively scheduled an October opening.

The Picots and Edgerton, co-founder of Burger King, are partners in The Old House in Old Monterey in Monterey, Calif.; La Vieille Maison in Boca Raton, Fla.; and The DownUnder and Casa Vecchia in Fort Lauderdale, Fla.

FINANCIAL NEWS

# Holiday joins JDC Corp. to create finance company

By Rajan Chaudhry

MEMPHIS, Tenn. — Holiday Corp., the operator and franchisor of the Holiday Inn hotel chain, and JDC Corp., a Japanese construction firm, are pooling resources to create a finance company to fund construction, acquisition, and renovation of new franchised hotels.

Holiday said it has tapped Michael M. Thurmond to head the new joint venture, which will be called Hospitality Capital Group.

Thurmond was formerly executive vice president of Irving Trust Co., New York, and had also served as vice president and assistant treasurer of Washington, D.C.-based Marriott Corp.

Most of Holiday's revenues come from franchise fees, and if successful, the finance company will help Holiday maintain its growth in a tight money market.

"Traditional sources of funding for the hotel industry have become increasingly scarce," said Michael D. Rose, chairman, president, and chief executive of Holiday. "Holiday and JDC are taking the lead in filling a niche that exists for project funding. In effect, we are ensuring the continued growth of our hotel brands by helping to ensure the availability of debt capital to franchisees."

Michael D. Rose

The venture is geared toward smaller projects — those with mortgages of $10 million and less — which generally have a harder time securing financing, Holiday said.

"I think it's a very good move," said analyst Joseph J. Doyle, who tracks Holiday Corp. for Smith Barney. "It's increasingly difficult to get financing, especially for franchisees, which tend to be smaller organizations."

The hotel company cited the savings and loan crisis and excess hotel construction as major forces behind the growing scarcity of investment capital.

"The industry's still overbuilt," agreed Doyle, "and a lot of institutions may be sitting on hotel investments — equity or debt — that have not done that well."

Hospitality Capital will begin with $20 million in equity and use those funds as collateral to establish a line of credit from a syndicate of commercial banks, Holiday said. It will then use its line of credit to provide mortgage financing to franchisees.

Ultimately, Holiday said, the partnership plans to generate additional funds for lending by packaging the mortgages for resale in the secondary market.

In addition to Holiday Inn, Holiday Corp.'s hotel brands include Embassy Suites, Hampton Inn, and Homewood Suites.

JDC is also a partner in several U.S. hotels, including the Scottsdale Princess in Arizona.

On the day Holiday announced its new venture, the company's stock price rose 75 cents in the New York Stock Exchange trading and closed at $41.75 per share.

# Dairy Mart gets cash bid from United

By Rick Van Warner

ENFIELD, Conn. — Dairy Mart Convenience Stores Inc. has received a surprise $15.50-a-share cash takeover bid from United Acquisition Corp.

A few days earlier a company formed by Dairy Mart chairman and principal shareholder Charles Nirenberg and Salomon Brothers Holding Co. launched a leveraged buyout offer of $14.50-a-share in cash, or about $62 million, for the 1,140-unit convenience store operator.

Nirenberg, who with his family controls about 60 percent of the company's voting power, reiterated a statement that he would refuse to sell any shares except in connection with his group's offer. He also told Dairy Mart's independent directors that he'd vote against any United Acquisition bid.

"The surprising thing is that Mr. Nirenberg has clearly stated he's not interested in selling his shares to anyone else," said Dairy Mart chief financial officer Lawrence Handler. "I don't understand why they [United] would make a bid, given his statements. I don't know if it's valid."

Handler said he didn't know anything about United Acquisition and had never seen its name on any shareholder lists.

Nirenberg's group, DMSC Holdings, has already obtained financing commitments for as much as $80 million in senior bank financing, including working capital and a $14.5 million letter of credit, Dairy Mart said.

FOOD PRICE OUTLOOK

# *Imported canned ham prices sliding*

It's not a sharp drop, but more like a steady slide, as prices lower on **imported canned hams,** particularly **Polish.** A good supply of Polish and other imported hams are available at this time, and the prices are falling.

The cost of **beef** during May has been running a bit above what it was a year ago. Agricultural economists still expect prices to settle lower this summer, since there are more cattle on feedlots than had been anticipated.

**Pork** prices in mid-May were down as much as 20 percent from the figure a year ago. Warmer weather in a number of Midwestern hog-raising areas has resulted in faster weight gains than had been expected. So farmers brought hogs to market early, depressing prices.

**Broiler** prices have been running from 20 percent to 25 percent higher than last year's at this time. Producer cutbacks in production, combined with higher feed costs resulting from last year's drought, were responsible. Don't expect lower **poultry** prices soon.

**Eggs** were up more than 50 percent from prices in May 1988. Feed prices were a major culprit. Also contributing were scalebacks by egg producers. Again, feed prices must take part of the blame, but output has been weaker than normal.

Heavy imports of **scallops** from Iceland and Mexico have helped hold prices to last winter's low levels . . . Another bright spot is **canned salmon.** The good news is that there's a good quantity of **salmon** in food-service sizes. The bad news is that there is just about no **king salmon** left, and most of the national stock is **chum.** Supplies of **pinks** are down about 30 percent.

— **Patt Patterson**

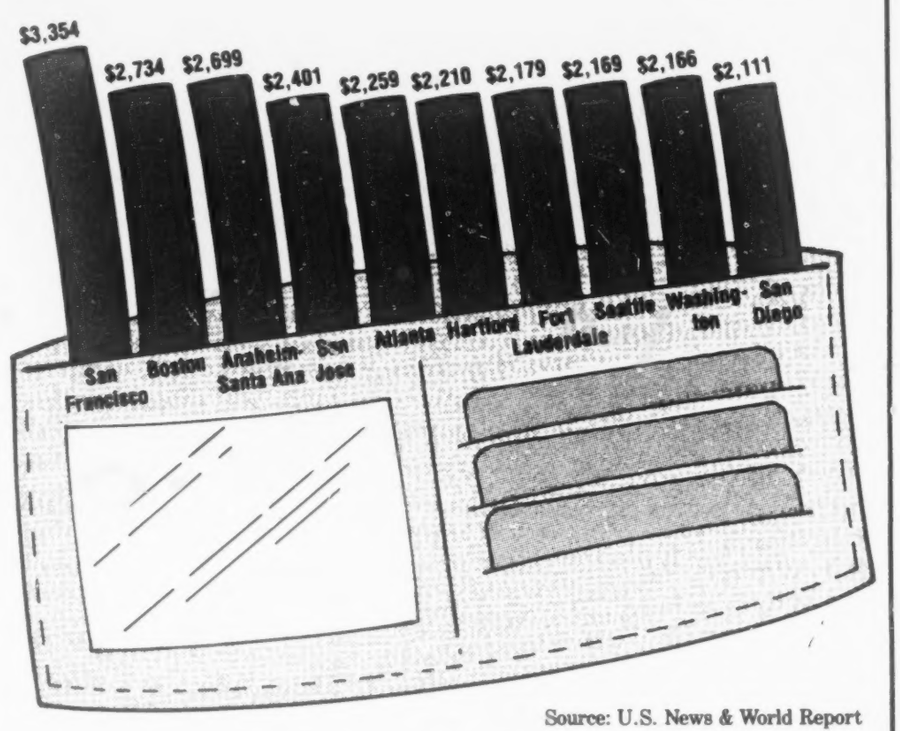
FACT FILE

*A look at the statistics shaping the industry*

## I LEFT MY WALLET IN 'FRISCO

*San Francisco area has the biggest restaurant spenders in the nation.*

(average annual restaurant and bar expenditures per household)




Source: U.S. News & World Report

NRN FINANCIAL DIGEST

## Le Peep loses $5.6 million for year

DENVER — Le Peep Restaurants Inc. said charges stemming from its reorganization plunged the company $5.6 million dollars into the red for its latest fiscal year.

Revenue for the year increased 29 percent, to $17.5 million. Le Peep said results include a provision of $818,000 for a writedown of assets related to company-owned restaurants. The writeoff leaves Le Peep short of equity requirements for NASDAQ stock exchange listing.

Costs also included $777,867 for salary and benefits to be paid to former officers and other employees as well as charges for both the closing of its Syosset, N.Y., office, and the physical move to its headquarters here.

Last year the company lost $3.7 million. For the fourth quarter, Le Peep posted a loss of $2.3 million vs. a loss of $913,197 a year ago. Revenue gained 23 percent, to $4.4 million.

## H & H loses $1.9M for 1st Q

LAS VEGAS, Nev. — The Horn & Hardart Co. said the poor performance of its 87-restaurant International King's Table unit helped dig the restaurant and direct-mail company a $1.9 million hole for its latest first quarter, compared with a $1.7 million loss for the year-ago period.

Revenues for the 13 weeks ended April 1 rose 19 percent year-over-year, to $119.2 million.

Interest expenses related to Horn & Hardart's March 1988 King's Table acquisition totaled $1.6 million, the company said.

## USA Cafes hit by franchise-fee drop

DALLAS — Citing a $1 million dip in chainwide licensing fees, USA Cafes L.P. said net profits declined 48 percent, to $1.2 million, for the first quarter ended March 31.

The company, which operates and franchises 620 Bonanza Family Restaurants, said systemwide sales rose 6 percent, to $141 million.

## National Pizza boosts profits 11%

PITTSBURG, Kan. — National Pizza Co., Pizza Hut's largest franchisee, said net income for its fourth quarter ended March 28 rose 11 percent, to $2.7 million, on a 23-percent year-over-year gain in sales, to $37.5 million.

The latest quarter includes reserves of $330,000 for anticipated losses on the disposition of closed stores and charges of $413,000 stemming from the company's failed buyout of Skipper's Inc.

For the March-ended year, National Pizza posted a 12-percent increase in net income, to $37.5 million, on an 18-percent improvement in sales, to $141.8 million.

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 74

# FOCUS | OPINION

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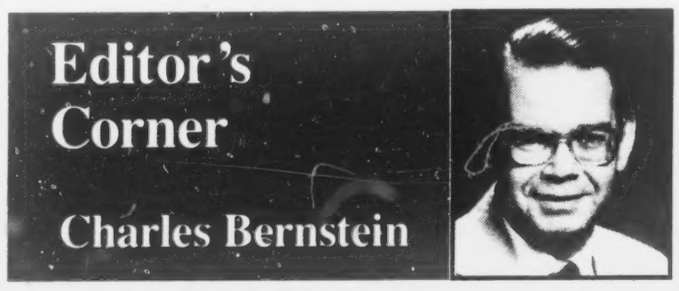
# Industry dilemma: Too few women execs

Try to name all the upper-management women executives you can think of in the food-service industry. Our guess is that you'd be hard-pressed to come up with a list of more than five out of the thousands of executives in the industry.

On the spur of the moment, we can only think of these women who have made it to the higher echelons:




- Jackie Trujillo, 30-year veteran executive at Los Altos, Calif.-based Harman Management Corp. She started at the unit level and worked her way up to president of Harman's 230-unit KFC franchise, arguably now the strongest group in the entire KFC network.
- Julie Brice, president of the 200-unit Dallas-based I Can't Believe It's Yogurt. She did believe and at the age of 20 launched the chain 12 years ago with her brother, chairman Bill Brice. She was selected as 1989 Woman of the Year by the Round Table for Women in Food Service.
- Ella Brennan, longtime driving force of the company operating Commander's Palace and Mr. B's in New Orleans and Brennan's in Houston.
- Louise O'Sullivan, president of the Chicago-based Groen manufacturing companies. An elementary-school teacher for eight years, she joined Groen as a part-time advertising writer in 1976 and eventually moved up to president in 1985.

That is the extent of the list which quickly comes to mind. We certainly hope any other women presidents we have overlooked will forgive us and notify us.

Actually, a number of women are on their way to top management and have established a strong niche. A prime example is Los Angeles-based Carnation Co. marketing director Dana Quillen. She was recently voted one of the leading 100 women executives in all fields by Business Monthly magazine (formerly Dunn's Review).

But the real significance of the magazine's list is that, as far as we can discern, Quillen is the only food-service executive in the top 100. That says mountains about the obstacles facing aspiring women executives in the food-service industry.

Somehow women have been able to climb faster in almost every other field. This is the ultimate irony, since if one accepts any sort of stereotypes, women have been regarded as homemakers and cooks.

They represent two-thirds of the food-service work force and perhaps half of all unit managers but less than 5 percent of executives. They have shown an entrepreneurial inclination in opening and owning restaurants and are emerging as leading chefs.

They have achieved everything except the top spots in chains and food-service companies.

We would instinctively and defensively deny that there is any prejudice toward women who seek executive positions. But the reality is that women often are stereotyped into marketing and communications positions rather than operations, and their paths to the top are often blocked by male-dominated managements.

Consider any major industry executive conference that you attend. The number of women there — to say nothing of blacks — is usually minimal.

It is not only the stereotype that "women are too emotional to be capable executives," but also the fact that there are so few female mentors who have made it to the executive suite and whom women can emulate. Of course, men can emulate any number of male figures as mentors.

As with all stereotypes, the generalization and the interpretation are wrong. They merely suit the purpose of keeping the same people in power.

The Iron Lady, Margaret Thatcher, prime minister of England for a third four-year term, goes a long way toward disproving the stereotype. Still, sensitivity and emotions will become more important assets for executives in the 1990s.

Edna Morris, Hardee's human resources vice president and a rising woman executive in her own right, put it this way recently: "Business relationships have been bred historically through the good ol' boy network. That consists primarily of male trends like beer after work and golf outings. Women in management positions should not be made to feel like outsiders."

On the same panel, Ground Round training director Betty Brennan discussed the stereotypical restaurant belief that "women should be in the front of the house while men are either in the kitchen or running the restaurant."

As KFC president Jackie Trujillo expressed the situation, "Men have to realize that women can adjust to the demands of this industry and still fulfill family obligations."

Unfortunately, despite the very capable leadership of president Beverly Ham Totman of Tustin, Calif., the Round Table for Women has encountered severe problems in its efforts to build a network of female role models over the past several years.

Efforts were launched in Chicago last week, during the NRA Show, to start a new united group to help women gain upward mobility in the food-service industry.

Yet the real answer to the challenge, as the Round Table has consistently indicated, is for the men who dominate almost all the companies to make efforts to advance women into the executive ranks, without fear, favor, or stereotype.

Women have more of the right executive stuff than their male bosses like to admit.

## LETTERS

### *Keep the record straight with liquor control system*

Editor, NRN:

I read your recent article on the ways to spot a dishonest bartender. But the author did not once mention anything about beverage control systems that are on the market today. With today's technology, there are some very reliable liquor and beer metering systems that can spot a dishonest bartender in 10 seconds.

I am a manufacturer of a draft-beer meter that I have installed in various parts of Texas and Louisiana. I have 56 meters installed at the Louisiana Downs in Shreveport, La.

The management will not pour a beer without this device. The money they save by having these systems makes the investment well worthwhile. You go into a club and put a liquor system in and watch your dishonest bartender hand in his time card.

McDonald's meters its soft drinks. Marriott, Holiday Inns, and other large hotels have used beverage control systems for years.

When all a club has to sell is beer and liquor, I would think the owner would put as much emphasis on getting a profit from the only thing he has to offer, as he would on decor, sound system, lighting, etc. There would be a lot less dishonest bartenders to worry about and a lot more time to think about spending that extra profit an owner would enjoy.

Also, the Liquor Control Board likes to see people use these systems, as it tells them that you are trying to keep your records straight.

**— Cliff Pittman**
Pittman Distributing Co.
San Antonio, Texas

### *'Institutional' feeders deserve a better name*

Editor, NRN:

Bravo! Your Editor's Corner column, "Educational Funk: Management Schools," is absolutely on target. It *is* time to recognize that restaurants deserve their due in the naming of hospitality curricula at our leading schools.

However, while we are asking for changes, why not also get rid of that very archaic term "institutional," as in "Hotel, Restaurant and Institutional Management."

This word has been replaced almost universally (the National Restaurant Association still refuses to acknowledge the change) by the term "non-commercial."

And while we are at it, we could use a better term than "non-commercial" to describe the business and industry, health-care, school, college and university, and perhaps even correctional food-service segments of our industry. Maybe we should hold an industrywide competition to see what else we can come up with.

At any rate, having worked closely with a number of universities over the past 10 years, I don't expect to see any dramatic changes soon. They, like the mills of the gods, grind exceeding slowly!

But at least you have issued the challenge, and that's a beginning.

**— Phillip S. Cooke**
*executive vice president*
Society for Foodservice Management
Louisville, Ky.

# FOCUS | TAKEOUT PACKAGING

## ZABAR'S PICNIC BOXES SPEAK FOR THEMSELVES

By Ken Frydman

NEW YORK — Zabar's picnic-meals-to-go program means much more to the landmark retailer than a mere $250,000 in annual revenues.

During the spring and summer, picnic bags from the deli-and-housewares emporium can be seen on the streets of New York, at outdoor concerts in Central Park, in corporate offices, in apartment buildings, on tour buses, and at Long Island beach resorts. Inside the bags are the $9.95-to-$11.95 plastic picnic boxes filled with chicken, cold cuts, pastas, seafood, salads, breads, cheese and crackers, fruit, and cookies.

"All of of our business is take-out, but we don't make a living at the picnic program," says Murray Klein, general operating partner of the two-story facility on Manhattan's Upper West Side. "It's just a low-cost, word-of-mouth merchandising tool that we use to promote our name and get people in the store."

One thing Zabar's has no problem doing is getting people in the store. On any given day 35,000 paying customers pass through the store, and another 10,000 come to browse "as if they were in a museum," according to Klein, whose partners in the 40-year-old store are the Zabar brothers, Saul and Stanley.

The hordes generate annual sales of $35 million.

Zabar's typical picnic customers are the young single or married professionals who live and work in New York and either don't have time to cook at home or pay the city's exorbitant restaurant prices. Instead, explains Klein, they pick up a prepackaged meal in a disposable plastic container, complete with napkins and plastic eating utensils.

"They're also used to cater corporate meetings, on vacations, and and as traditional spring and summer out door picnic meals," says Klein, who 25 years ago joined Zabar's as its first operating manager when it was still a "small local Jewish deli."

Picnic customers have a choice of five baskets, smoked salmon, country buffet, deli, French, and sea fare. Meals include cheese and crackers, a piece of fruit, and a choice of cookies or cake.

Some picnic box customers simply take their meals next door and eat them at Zabar's small sit-down "sandwich and coffee" outlet, Klein notes, adding, "That space is a service to our customers, which is the way we look at the picnic program."

### *ZABAR'S PICNIC PACKAGES*

***Smoked Salmon picnic:*** *Nova Scotia, Norwegian, Scotch or Irish smoked salmon; bagel or pumpernickel roll; choice of cream cheese or scallion cream cheese; cheese and crackers, apple or orange, cookies or chocolate mousse cake* $9.95

***Country Buffet picnic:*** *Lemon-garlic chicken; tortellini in pesto; French roll; cheese and crackers; apple or orange; cookies or chocolate mousse cake* ..... $9.95

**Deli picnic:** *Choice of turkey, corned beef, roast beef, or ham and Swiss cheese sandwich; potato salad; mustard and pickles; cheese and crackers; apple or orange; cookies or chocolate mousse cake* ..... $9.95

***French picnic:*** *Sliced Westphalian ham; French-style duck; pasta Primavera; French roll; cheese and crackers; apple or orange; cookies or chocolate mousse cake* ..... $11.95

***Sea Fare picnic:*** *Choice of shrimp, lobster or crabmeat salad; tomatoes, cucumbers and onions vinaigrette; French roll; cheese and crackers; apple or orange; cookies or chocolate mousse cake* ..... $11.95

## PACKAGING GOES UPSCALE

*(Continued from page 1)*

duck à l'orange, tuna steak, or roasted veal shank.

"We'll deliver pizzas and sandwiches, but that's been done before," remarks Rick Puzo, co-owner of the just-opened Giorgio Cafe in New York. "The popular items will be our entrées because people haven't been delivering duck à l'orange, or a veal dish, or swordfish."

He projects that the restaurant will generate $400,000 to $500,000 by delivering meals averaging $12 to $15 in price. That amount should account for 20 percent to 25 percent of Giorgio Cafe's total annual sales, he adds.

Although on-premises restaurant traffic was flat during the first three months of the year, operators sold 5 percent more eat-at-home meals than they did during the same period of 1988, according to NPD Crest, the Chicago-based researcher.

And the off-premises market generated what little year-to-year real growth the industry enjoyed last year, according to the company. Its data indicate that restaurants supplied 3.8 percent more meals for at-home consumption, offsetting a 2.1-percent drop in the number of patrons served in dining rooms.

After declining in 1988, customer counts at white-tablecloth establishments will grow by 2.1 percent this year in part because more of those places are offering carry-out or home-delivered meals, according to the Wefa Group, an economic forecaster in Bala Cynwyd, Pa.

The National Restaurant Association reported at the end of 1988 that take-out or delivery service is already offered by 38 percent of all restaurants with an average check of $25 or more.

Nevertheless, "what we see driving

*(See PACKAGING, page F14)*

**Domino's hew octagonal box keeps pizza hot and cuts costs.**

## Fast feeders rush to better containers

By Peter Romeo

As high-end restaurants use new containers to batter their way into the take-out-and-delivery market, fast-food and pizza chains are seizing packaging innovations to fortify their entrenched positions in the sector.

"With consumers becoming more interested in quality, you're seeing all types of places trying to come up with a better package — something that retains the heat or protects the product better," says Rick Gilbertson, a take-out-and-delivery consultant.

McDonald's, the nation's largest supplier of carry-out meals, is testing a new clamshell-type foam box as part of the sales trial for its McChicken sandwich. The front panel of the container's lid juts downward to the bottom of the box. When it is opened, the front rises out of the way, enabling customers to slide their hands forward to grasp the sandwich, instead of having to scoop it out.

*'We started to consider a new box after a debate about the strength and depth of the square box,' Solomon says. 'Franchises were concerned about keeping pizza toppings from sticking to the inside of the top of the box.' The result was the crush-resistant Octabox.*

Domino's, the pizza maker that ignited the explosion in home delivery, recently adopted a new octagonal box for its pies. The chain asserts that the new container offers several advantages over the standard rectangular pizza box, including better heat retention, more durability, and a lower price. What's more, Domino's says, consumers appreciate that the octagonal carton is easier to pack into garbage cans.

Development of the Octabox took two and a half years, according to Harold Solomon, the 5,000-unit chain's director of research and development.

"We started to consider a new box after a debate about the strength and depth of the square box," he says. "Franchises were concerned about keeping pizza toppings from sticking to the inside of the top of the box." The result was the crush-resistant Octabox.

Scores of both chain and independent pizzerias are packing their slices in triangular foam boxes, instead of merely sliding the wedges of pie into a bag.

"Don't we have any more of those slice boxes?" a counter worker at a Sbarro's unit asks a co-worker after taking an order for a slice to go. "Sorry, I'll have to put it in a bag," she says after learning that the wedge-shaped containers are all gone.

A very similar new package is being embraced by family restaurants seeking to boost by-the-slice pie sales.

Rax, a 524-unit Midwestern quick-service chain, is evaluating new containers as part of a plan to bolster carry-out traffic during the summer.

"We're looking at improved packaging for our sandwiches, so they last longer," a Rax executive says. "We want to boost our take-away business. That's the only part of the [fast-food] business that's growing right now."

Fuddrucker's, a more upscale burger specialist, has indicated in government filings that it plans to develop a new line of packages as part of the launch of a new Fuddruckers To Go menu.

# FOCUS | TAKEOUT PACKAGING

## PACKAGING GOES UPSCALE

*(Continued from page F9)*

off-premises traffic is drive-thru and home delivery," notes Dave Jenkins, Crest's director of sales and market development. Clearly, the field continues to be dominated by fast-food chains, pizzerias, Chinese restaurants, and other concepts specializing in foods that "travel well."

Giorgio Cafe can deliver "90 percent of our menu," Puzo says, because partner Randy Seltzer spent two years developing a suitable container. Tapping his experiences in the plastics and packaged-foods industries, Seltzer designed a package consisting of a lidded, microwavable plate nestled inside a black cardboard box that closes like a hard-sided brief case.

"Everything had to be just right," Seltzer says. "The plate had to be just the right size for a serving. The items had to fit just right. And we chose black and white as the color pattern because it's an attractive way to display food."

A smart-looking container, he and others assert, can be a potent marketing tool because it catches the consumer's eye, speaks favorably of the source restaurant, and, like a dramatic plate presentation, enhances the appeal of the food itself.

"We're a gourmet operation, and the packaging is part of that image," says a representative of Room Service, a Chicago operation that trucks meals for a fee from a number of restaurants to consumers' homes and offices. "We started out with first-rate packaging. It helps [sales-wise] because it says we're first rate."

"When all's said and done, the package is part of the product," comments Malcolm Knapp, a New York food-service consultant. "They've improved the product by improving the package."

Appearances "are particularly helpful for office deliveries," notes Room Service's representative. "The food doesn't come in junky stuff, so you can use it if you want to entertain a client in the office."

Giorgio's Seltzer readily concurs. "At lunch our focus is really on executive dining," he says. "We expect our business customers to call in six or eight orders when they're entertaining clients in the office. Our boxes are a lot nicer than a bag of sandwiches."

What's more, because their containers are durable, Room Service and Giorgio expect the packages to deliver some free advertising.

"Someone getting a package like this at home is going to use it for picnics and parties," Seltzer says. "People are going to see our name." The name "Giorgio Cafe" is molded right into the plate.

"Our containers are attractive, and they're microwavable, so a customer might use them to serve hors d'oeuvres at a party," says the Room Service representative.

Marketing has been a glaring deficiency of full-service restaurants offering eat-at-home meals, according to the NRA. In a consumer survey conducted for the association, one-fourth of the respondents said they would order meals from full-service restaurants if they knew carry-out service was available.

"In 1989 table-service restaurants must open consumers' eyes to midscale and upscale takeout options," says Michael Hurst, an NRA officer and operator of the 15th Street Fisheries restaurant in Fort Lauderdale, Fla.

Restaurateurs wielding new take-out packages are being assisted in that educational process by the media. With carry-out and delivery service playing such a major role today in the dining habits of Americans, newspapers and magazines have been quick to spotlight new eat-at-home options. And the journals clearly regard novel packaging as a topic of riveting interest to readers.

"Take-out alert," trumpeted a recent issue of New York magazine, a weekly bible for remaining hip in the Big Apple. "Thanks to Auntie Yuan's nifty new take-out containers, its Peking duck tastes every bit as crispy and succulent at home as at the restaurant."

Dozens of Chinese restaurants pack Peking duck for home consumption, usually by hacking the bird into quarters, wrapping it in waxed paper, and shoving the whole thing in a foil sack. Yet when the tony Auntie Yuan entered the take-home market with its new package, even the lofty New York Times took notice.

"Earlier this month Auntie Yuan . . . began using sleek, lightweight containers of molded plastic with clear snap-on lids that can be put in a microwave oven," the staid daily reported.

When New York magazine reported on a new take-out line at Mortimer's, a Manhattan restaurant and celebrity watering hole, the magazine devoted a big chunk of the coverage to a description of the containers used. The array of eat-at-home stews are packed in see-through, microwavable plastic crocks.

Giorgio Cafe's delivery boxes have been covered in both New York and the New York Times.

"Our marketing consists pretty much of getting a lot of press," says Puzo. "We're getting a lot of inquiries from that."

Puzo is eager to spread the word that Giorgio Cafe does not have to skimp on portions or food quality to pay for its snazzy delivery container. Seltzer, wielding his knowledge of the food-processing and plastics industries, worked with suppliers to hold the cost of the whole package to $1.58.

"Our price structure is 10 percent to 20 percent less than the competition's," Puzo says. "We've been approached by a lot of other restaurants interested in buying our stuff, but we won't sell because that's our business."

Other restaurants put a high price on their take-out containers.

Arcadia, one of New York's highest-rated dining spots, drew the Times' attention when it began packing several offerings in baskets for home consumption. The meal costs $30, and a $25 deposit is required for the basket.

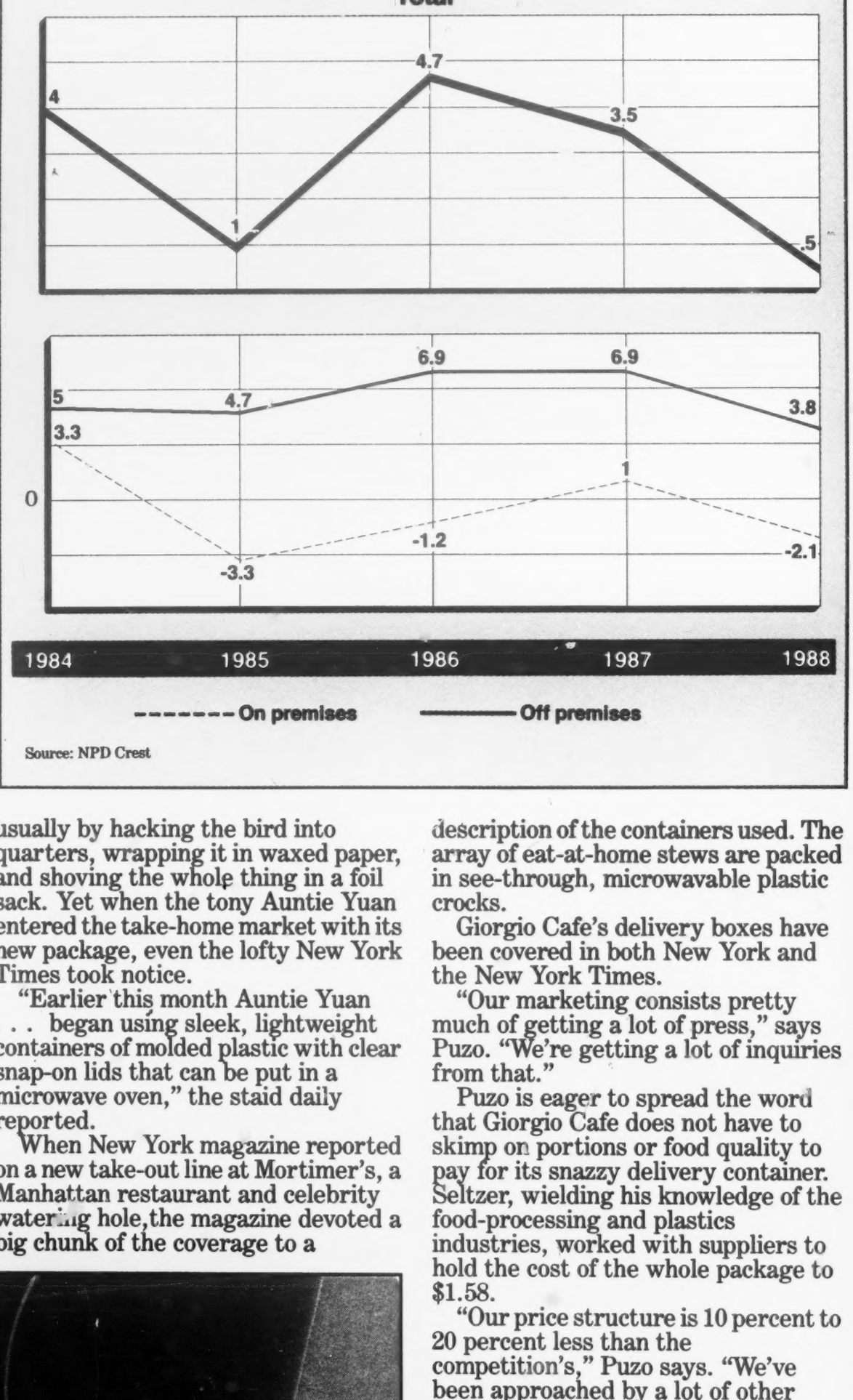
The three-course take-out meal is available only on Thursday, Friday, and Saturday nights. On a recent Friday, it consisted of a salad; a choice of either a crab-and-lobster cake, roasted crispy chicken, or roasted loin of veal; and a dessert of either fresh fruit or hazelnut-and-raspberry-jam tart.

Manhattan's Quilted Giraffe requires delivery patrons to supply a charge-card number to cover the cost of the bento boxes used for the lunches brought to their offices. The cost of the meal itself is $25.

**TAKEOUT FUELS INDUSTRY GROWTH**

*Gains in off-premises traffic have cushioned flagging on-site customer counts*

(traffic count, year-to-year percentage change)




Source: NPD Crest

**Giorgio will deliver a meal in a five-block radius of the restaurant in a box that converts into a tray containing the hot meal in a covered microwavable dinner plate.**

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**BEER, WINE, & SPIRITS**

***Advice for operators who won't sell wine***

Mort Hochstein/Page 18

**PURCHASING**

***Seafood chain lab tests for bacteria***

Patt Patterson/Page 22

**FOOD**

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# Politics dominates NRA show

## *Wage bill tops list of legislative woes*

**By Peter Romeo**

CHICAGO — As the minimum-wage issue was building to a head in Washington, foodservice leaders were mobilizing at the industry's annual convention here to erect defenses against a looming new round of burdensome legislation.

During the 70th annual NRA Restaurant & Hotel/Motel show, National Restaurant Association officials warned that the battle against some of the most onerous measures — including packaging bans, container taxes, and mandated health benefits — had already been lost in some regions.

"The legislation we fear on the federal level is already being enacted on the state level," said Richard Marriott, the lodging scion who chairs the NRA's State Relations Committee.

Association executives said they anticipated a firefight with politicians over such matters as where restaurants can put

*(See **NRA SHOW**, page 107)*

**SHOW REPORT**
**Industry descends on Chicago**
**Full coverage begins on page F9**

**Melman with wife, Martha, at awards dinner.**

# Melman wins IFMA Gold Plate

**By Jack Hayes**

CHICAGO — Richard Melman, a local star who slam dunks dining concepts as if he were the Michael Jordan of the restaurant industry, thrilled his hometown crowd by winning the Foodservice Operator of the Year title at the 35th annual Gold & Silver Plate Awards, sponsored by the International Foodservice Manufacturers Association here.

The president of Chicago-based Lettuce Entertain You Enterprises, which owns or operates nearly 30 restaurant establishments — most of them in the metropolitan Chicago market — Melman was selected to receive the coveted Gold Plate Award. He was chosen from a group of winners representing the industry's nine major food-service segments.

Among those stars were Norman Brinker, who pioneered the growth of Steak & Ale and Bennigan's and is now chairman and chief executive of the 172-unit Dallas-based Chili's Inc., and Frederick DeLuca, president and co-founder of the 2,000-plus-unit fast-service Subway chain, based in Milford, Conn.

"I'm really inspired now," a choked-up Melman told a crowd of

*(See **MELMAN**, page 107)*

# Operators fight midweek blues with promos

**By Jack Hayes**

CHICAGO — Like fishermen obsessed with bringing home their limit on the days when nothing wants to bite, operators are throwing special menus, provocative discounts, and other tempting baits to midweek patrons in a revived effort to stir up stagnant Tuesday and Wednesday night traffic.

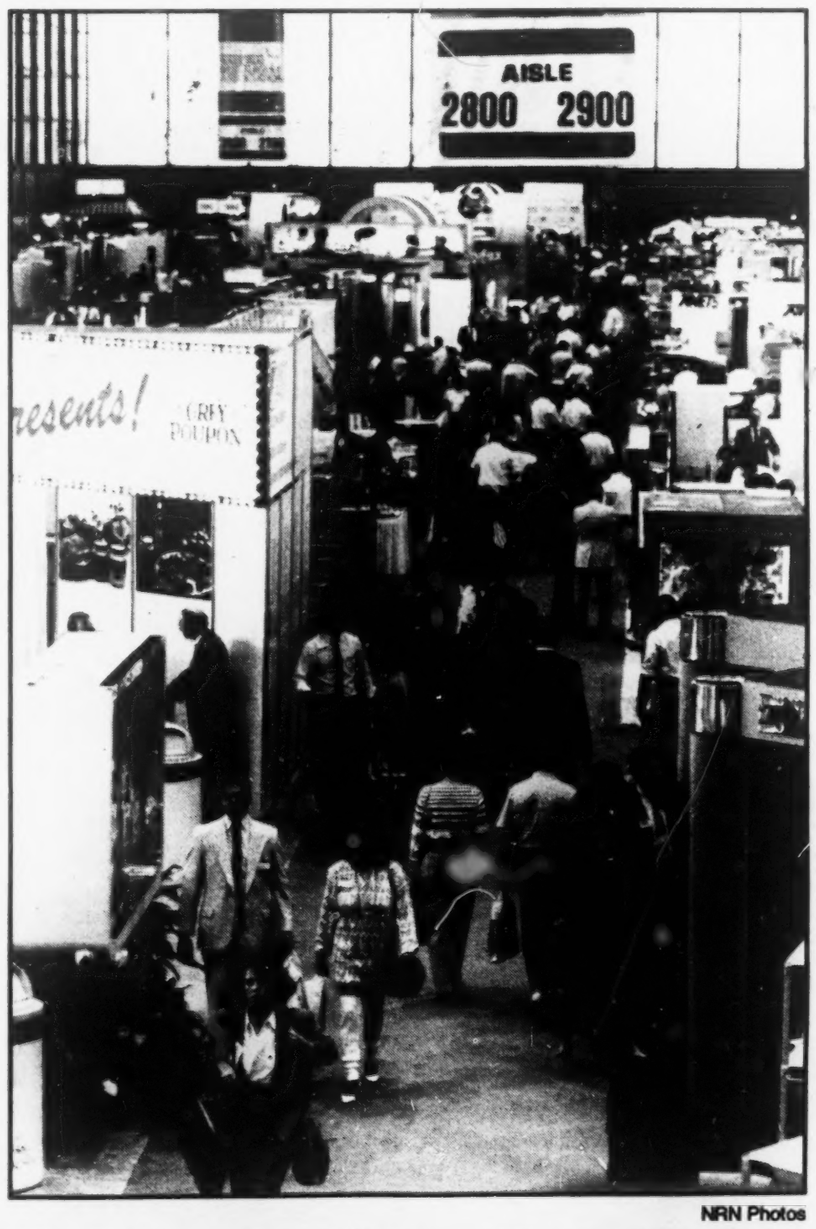
Some restaurateurs are even jumping into the water with services like "white glove" home delivery in order to capture couch potato midweek clientele who are not dining out, according to a poll of operators shopping the 70th NRA Restaurant, Hotel-Motel Show here.

"If they don't come to you, you have to go to them," said San Francisco restaurateur Faz Poursohi, who is home-delivering midweek dinners from a string of upscale operations, including Cafe Latte, Circolo, Santa Fe, and Faz.

In virtually every dining segment from tablecloth to drive-thru — particularly as the coupon wars intensify from coast to coast — operators like Poursohi claim that customers are catchable during the stubborn midweek, but it takes hard marketing.

"My father was a Burger King franchisee. I know promotions work," said Michael Smith,

*(See **BATTLING**, page 4)*




NRN Photos

**NRA Show attendees shop for new ideas on exhibit floor.**

# Chefs check out show's offerings

**By Carolyn Walkup**

CHICAGO — Amidst the crush of humanity attending the huge National Restaurant Association trade show and tasting the free food and drink samples, some chefs searched to find equipment, food products, and ideas relevant to their fine-dining restaurants.

Several chefs attending for the first time expressed surprise at the lack of fresh products and the overabundance of convenience or prepared foods. The exhibits were "more focused on owners than chefs," said Jeffrey Baldwin, chef-owner of Meritage in Warren, Mich. Pascal Oudin of The Colonnade Hotel in Coral Gables, Fla., said he had

*(See **CHEFS**, page 107)*

# Notes on Reagan: The details count

**By Charles Bernstein and Peter Romeo**

CHICAGO — While attendees were buzzing about Ronald Reagan's keynote address at the National Restaurant Association show here, the event's planners were amusedly gossiping about the peculiar demands they met to get the former president on stage.

In addition to a fee pegged by NRA sources at

*(See **REAGAN**, page 107)*

CHARLES BERNSTEIN: STRONGER EFFORT ESSENTIAL TO AID HUNGRY — PAGE F3

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Vol. 23 No. 23 June 5, 1989

# NEWS DIGEST

## Tavern on the Green begs: 'Please help or we will die'

NEW YORK — With striking employees scaring away business, the landmark Tavern on the Green here is flatly begging patrons to prevent its demise by crossing the picket line.

"Please help us or we will die," blares the headline of an advertisement placed in The New York Times by Tavern's flamboyant owner, Warner LeRoy. "Please support us. Please come to Tavern on the Green. . . . If you do not come, we will die."

Staffers struck Tavern after itrefused to grant a 40-percent wage hike. LeRoy countered with an offer to boost pay by 21.4 percent and implement a new health plan. The restaurant has filled jobs with non-union workers.

## Melman discloses plan for country-Western place

CHICAGO — Richard Melman, the restaurateur who delivered salad bars and tapas to the Windy City, will soon be serving up country-Western crabs and barbecue at Bub's, a 600-seat concept that will open here in an area called the Weed Street district.

Melman promised "some surprises" at Bub's when it opens in August. He hinted that one out-of-the-ordinary aspect may be an adjacent concept — Shine & Dine — featuring hybrid neighborhood cuisine and car washes.

In October, Melman's group, Lettuce Entertain You Enterprises, plans to open an Italian concept near Shaw's Crab House.

## KFC plans KFC Express for walk-up traffic

LOUISVILLE, Ky. — Kentucky Fried Chicken said it would open KFC Express units for walk-up customers as part of a $30 million plan to modernize or build 20 units here in its headquarters city.

More than $20 million of the capital improvements will be spent on a state of the art computer system linking the front counter, kitchen, drive-thru window, and headquarters.

The ambitious remodeling and equipment upgrading plan is all part of an effort to devise new services, equipment technologies, and designs that may become standard chainwide.

In a mall here, KFC will open its first express unit in July with a limited-menu concept designed to more quickly serve pedestrians.

## Citymeals-on-Wheels draws 18 top chefs to charity fest

NEW YORK — Eighteen stellar American chefs will converge here at the fifth annual Citymeals-on-Wheels Tribute to James Beard to honor their mentors and raise money for Citymeals, a program that provides meals to the homebound elderly.

More than half — including Wolfgang Puck of Spago, Jimmy Schmidt of the Rattlesnake Club, and Brendan Walsh, formerly of Arizona 206 — will be reunited with their mentors at the $350-a-plate black-tie gala.

The benefit is expected to draw 1,000 supporters, who will be treated to samplings of the favorite dishes of some of the world's most illustrious culinary talents, said Marcia Stein, executive director of Citymeals-on-Wheels.

## TW resets annual meeting, raising possibility of conflict

NEW YORK — Setting the scene for a possible proxy fight, TW Services has agreed to convene shareholders in August for its previously postponed annual meeting.

Before TW canceled the regularly scheduled meeting in April, hostile suitor Coniston Partners had said it would seek to place two representatives on TW's board. Coniston is seeking to buy TW for $29 a share.

TW rescheduled the shareholders conference after Coniston asked a Delaware court to order that a meeting be held. On the current timetable, stockholders will be convening after the deadline set by TW for the submission of acquisition offers.

## Spurned suitor sweetens bid to snatch up Dairy Mart

ENFIELD, Conn. — Dairy Mart Convenience Stores, which accepted a $15-per-share acquisition offer from a management-led group, said spurned suitor United Acquisition Corp. has sweetened its bid to $16 an issue.

But chairman and majority shareholder Charles Nirenberg, who led the management buyout group, reiterated that he would not sell his family's stock to any outside entity. Nirenberg and kin control 60 percent of Dairy Mart's shares outstanding.

Little is known about United, which had previously offered $15.50 a share.

## Carl's Jr. chain launches first Japanese franchise

OSAKA, Japan — The 490-unit Carl's Jr. fast-food chain has opened it first branch in Japan.

The restaurant, in the Osaka suburb of Minoo, reported near-record opening-day sales volumes, a spokesman for Anaheim, Calif.-based Carl Karcher Enterprises said.

Friendly Corp. of Osaka, operator of 100 Western-style coffee shops here, built the Carl's Jr. and plans to open at least 30 more by 1993.

## Chicago Dining Authority bows out of Sieben's deal

CHICAGO — The Chicago Dining Authority has pulled out of its contract to manage Sieben's Brewery & Restaurant, one of Chicago's first brew-pubs.

Cash "to pay for the project was not made available, so we terminated our contract," said Brian Margulis, CDA's director of operations. CDA had completed a redesign and menu upgrade aimed at boosting sales.

An investment group headed by Richard Walsh owns Sieben's. He couldn't be reached for comment about Sieben's financial condition.

## Red Onion finishes paying $680,000 in bias claims

CARSON, Calif. — International Onion Inc., operator of 12 Red Onion Mexican dinner houses, said it has paid a total of $680,000 in out-of-court settlements to black, Hispanic, and Iranian men who filed claims in 1986 after being denied admission to Red Onion disco-lounges.

The plaintiffs charged that they were denied entry because of alleged racist policies.

Two men accepted $25,000 each last month to settle the last remaining claims against the Southern California-based company.

## Taco Viva trades shares for Mr. Submarine rights

FORT LAUDERDALE, Fla. — Taco Viva Inc. said it has agreed to give restaurateur Gus Boulis 7.3 million of its shares in exchange for rights to open 50 Mr. Submarine units in Florida.

Taco Viva, which operates a chain of fast-food Mexican restaurants, also said it would reduce its debt by about $2.5 million by selling eight restaurant locations and leasing back seven.

As a result of its sale-leaseback and other agreements with Boulis, Taco Viva expects to receive about $600,000 in working capital, it said.

## Discharged Sportscene exec threatens takeover attempt

MONTREAL — The ousted operations director of Sportscene Restaurants, an operator here of eight Le Cage Aux Sports casual-dining places, said he and a group of newfound partners are planning to seek control of the chain.

Sportscene confirmed in a prepared statement that it had been approached by a former staffer who expressed interest in mounting a takeover, but said it attached "little credibility to the initiative."

Orlando Garrido, who said he was ordered by Sportscene to resign as its operations director, reported that his group would further study its prey before attempting to buy all or a major share of Sportscene's outstanding stock.

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FINANCIAL NEWS

# Pepsico's customer counts soar at Taco Bell, Pizza Hut

By Rajan Chaudhry

PURCHASE, N.Y. — While other top restaurant companies have struggled in vain to boost customer counts in recent months, Pepsico has lifted real same-store growth by double digits in two of its three concepts.

In the last quarter, customer counts increased an average of 22 percent at 3,000-unit Taco Bell, 13 percent at 6,700-unit Pizza Hut, and 1 percent at 7,800-unit Kentucky Fried Chicken.

Other large chains experienced tiny gains, flat or down sales for the quarter. McDonald's, for example, saw a 2-percent decline, Wendy's counts were flat despite a 6-percent coupon rate, and Roy Rogers counts fell 3 percent, said analyst Caroline Levy, who tracks Pepsico's restaurant operations for Shearson Lehman Hutton.

Real same-store growth — or customer count growth — is the single most important factor in determining restaurant stock performance, noted Levy.

Pepsico, with a total of 17,400 units and domestic sales of about $7.6 billion, has a 13-percent share of the U.S. fast-food market. McDonald's, on the other hand has fewer stores — about 10,000 — but larger domestic sales — $11.4 billion, giving it a 19-percent share of the fast food market.

Each of Pepsico's three concepts is the leader in its segment. KFC commands a 46-percent share of the domestic fast-food chicken market; Pizza Hut has more than 20 percent of the domestic quick-service pizza market; and Taco Bell holds a 57-percent share of the U.S. Mexican-fast-food market.

"They're also not competing head-on with McDonald's," said Levy, "which I think was so much the problem with Pillsbury."

At Pizza Hut, new product introductions, aggressive marketing, rapid unit expansion, and a new eye toward delivery are driving customer-count gains.

Although the pizza chain has added only two new products in the past two years, both have been winners.

The first, "Pairs," introduced in 1987 to counter competition from Little Caesar's signature "Two for the price of one" strategy, offers a pair of pizzas for the price of 1½.

Despite its lower margin, "Pairs" boosts sales volumes and overall unit profitability.

"In fact," noted Levy, "because 70 percent of Pairs volume is done in takeout business, it helps margins almost as much as it hinders them because takeout business has far better margins than eat-in and deliver."

In June 1988, Pizza Hut introduced a medium crust pizza — the Hand-Tossed — to fill the niche between its thin-crust and signature pan-style products.

The product now represents 15 percent to 20 percent of sales, and it stays hotter and crisper than Pizza Hut's other products, making it ideal for delivery.

Pizza Hut has expanded its

*(See **PEPSICO**, page 106)*

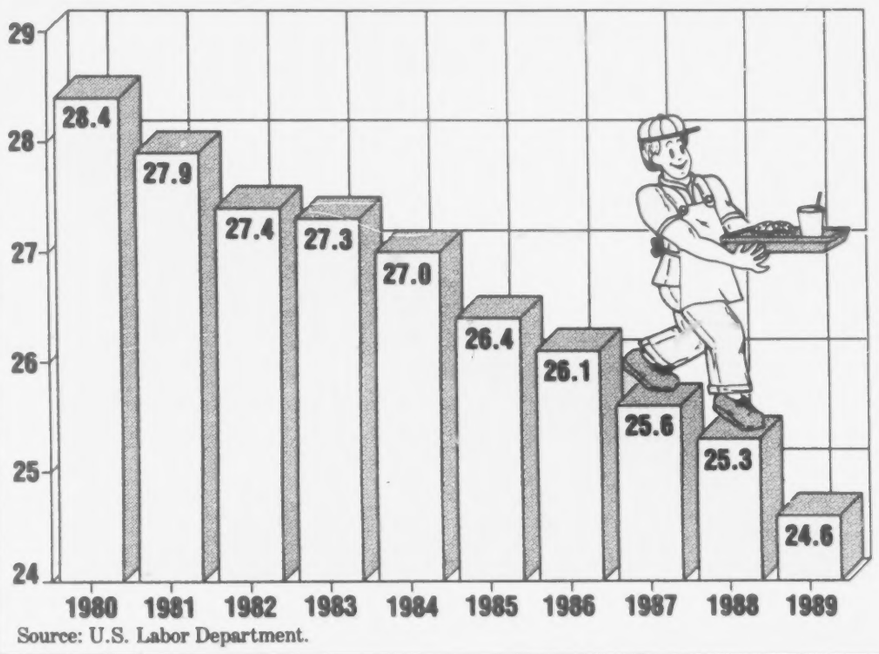
## FACT FILE

*A look at the statistics shaping the industry*

### LABOR DROUGHT IN SUMMER FORECAST

(July, millions of persons)

*The number of 16-to-24-year-olds in the workforce is expected to tumble to 24.6 million in the peak-employment period of July, down 700,000 from 1988 and down 3.8 million from the all-time high tallied in 1980. Although 76.6 percent of 16-to-24-year-olds are expected to seek employment this summer — about the same as in 1980 — the population of 16-to-24-year-olds has shrunk by 5 million over the past nine years.*




Source: U.S. Labor Department.

# Menu price inflation flat in April

WASHINGTON — Instead of inflating checks at a faster pace to offset a traffic slowdown, restaurateurs held menu price hikes during April to the rate clocked in the prior two months, according to the U.S. Department of Labor.

The department's Consumer Price Index for "food away from home" rose in April at a year-to-year gait of 4.6 percent, matching the pace of February and March. Grocery prices increased during the most recent month by 7.8 percent, compared with rates of 7.1 percent for February and 7.7 percent for March.

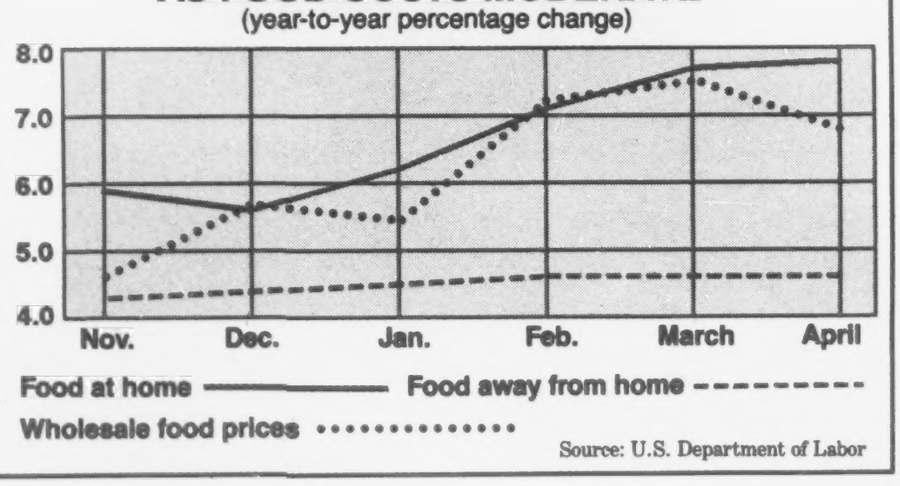
The overall Consumer Price Index jumped in April by .7 percent, marking the biggest increase in two years. However, most of that spike came from a record leap in gasoline prices.

While inflation of retail-food prices stabilized in April, the rate for wholesale foods moderated to 6.8 percent from the 7.5-percent clip registered in March, according to the Labor Department.

During the most recent month, sales growth at the nation's eating-and-drinking places slowed to 5.6 percent after hitting a velocity of 8.6 percent in unadjusted terms during March. Restaurateurs often attempt to maintain sales in the face of slackening customer traffic by hiking prices to boost the amount each patron spends.

### MENU PRICE INFLATION LEVELS OFF AS FOOD COSTS MODERATE

(year-to-year percentage change)




Source: U.S. Department of Labor

## FOOD PRICE OUTLOOK

# *Poor winter wheat crop to up prices*

By now it isn't news that this year's winter **wheat** crop is in serious trouble. The harvest has started, but you should be prepared for higher prices in foods as far ranging as **poultry** and **beef** as well as in **bread, cake,** and **cereals.**

Lack of sufficient rain has resulted in many Midwestern farmers discing under their winter wheat. High winds at the end of April in the major Kansas growing area further damaged the crop there. U.S. Department of Agriculture estimates place potential national production at 8 percent below forecasts, but some agricultural economists aren't as optimistic.

Winter wheat amounts to as much as 75 percent of this country's total wheat supplies. It's not only used in **bakery products** and **breakfast cereals,** but it's also a main element in feed for **poultry, egg,** and **meat** production. All of these will be affected by the higher wheat prices expected to be posted this summer.

In addition, government supplies of wheat are dwindling. The Soviet Union has been buying subsidized wheat from the United States, because their wheat crop was below normal last year. So far this year, they have announced intentions to purchase 1.5 million metric tons of wheat, and may buy double that before the year is over. China, too, has been buying wheat, although there have been no major purchases so far this year.

The result of these major export sales is that the usual heavy supplies of wheat in government hands will be so depleted they will not function to hold market prices down this year.

— Patt Patterson

## NRN FINANCIAL DIGEST

### Circle K puts itself on the block

PHOENIX, Ariz. — Circle K Corp. has hung out the For Sale sign and said that its chairman may propose a leveraged buyout.

Circle K, the nation's second-largest convenience store operator, also said it expects to report a loss for the fourth quarter ended April 30, caused by decreased margins for merchandise and gas.

Nevertheless, the company's stock soared $1.125 to close at $14.25 on the day of the announcement.

Circle K's chairman, Karl Eller, holds a 7-percent stake, and its largest shareholder, Carl Lindner, holds a 38.4-percent share after the exercise of warrants and options.

### Carlson to take Friday's private

DALLAS — TGI Friday's chairman Curtis L. Carlson plans to take the restaurant company private for $51.7 million.

Carlson controls the Minneapolis-based Carlson Cos. whose unit, the Carlson Hospitality Group Inc., already holds about 80 percent of Friday's 17.8 million common shares outstanding.

Friday's operates and franchises more than 140 casual-theme T.G.I. Friday's restaurants and operates 13 Dalts.

Carlson said it plans to offer minority holders $14.50 a share for their holdings.

In New York Stock Exchange composite trading the day after the announcement, Friday's shares leapt $1.62 to $14.88.

### ConAgra agrees to buy Holly Farms

OMAHA, Neb. — With a sweetened stock-swap bid valued at about $1.38 billion, ConAgra Inc. has agreed to acquire Holly Farms Corp.

If completed, the transaction would end a battle that began more than seven months ago between ConAgra and Tyson Foods Inc. for control of Holly, and would unseat Tyson as the nation's largest chicken processor.

Tyson has asked a Delaware chancery court judge to enjoin the agreement and to force Holly to redeem its poison-pill anti-takeover measure. And Tyson still could raise its bid before Holly's July shareholders meeting.

Thusfar, Springdale, Ark.-based Tyson has refused to raise its tender offer of $1.15 billion, which Holly has twice rejected.

ConAgra came up from its previous bid of $1.12 billion.

### Rax loses $1.9M in third quarter

COLUMBUS, Ohio — Rax Restaurants Inc., operator of the 524-unit Rax fast-food chain, reported a loss of $1.9 million on revenues of $26.8 million for the third quarter ended April 24.

Those figures compare with a net income of $546,000 on an intake of $29.7 million for the same period of fiscal 1988.

The 9.9-percent decline in revenues reflects Rax's difficulties in recovering traffic that slipped away last summer when a signature food bar suddenly lost its drawing power. The chain has since shifted its marketing focus back to sandwiches.

# FOCUS | OPINION

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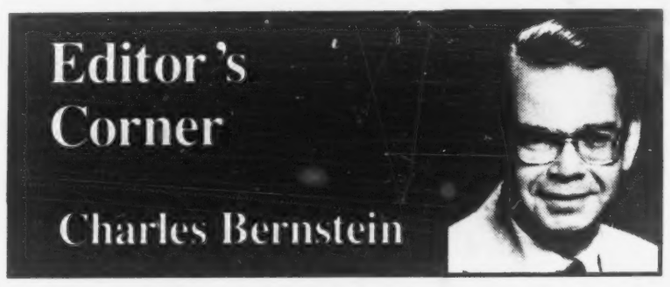
# Stronger effort essential to aid hungry

Feeding the hungry and the homeless is a worthy objective. In fact, it should be an obligation for the "haves" of society to help the "have-nots."

Certainly, more restaurateurs and restaurants fall into the have class, despite today's difficult atmosphere in which government regulation, bitter competition, and customer resistance to pricey places are making some restaurateurs feel sorry for themselves.




Nation's Restaurant News last month featured the fine work of the Washington, D.C.-based Share Our Strength group in its second annual Taste of the Nation event. Some 700 restaurants joined in festivities to raise money that goes to feed the homeless.

Although the twin goals of having 1,000 restaurants in 60 cities participating and a $1 million target were not realized, the $750,000 raised in 48 cities far exceeded the $250,000 garnered in 26 cities a year ago.

Denver, Dallas, Houston, Los Angeles, San Francisco, Atlanta, Chicago, New York, and other cities put forth major efforts.

The events ranged from 44 restaurants providing their best offerings to 650 people who paid $35 each at Houston's Four Seasons Hotel to 23 restaurants serving their specialties to 250 people who paid $75 each at Beverly Hills' Rodeo Collection Mall. Big-name Los Angeles restaurants such as L'Ermitage, Citrus, and Trumps helped lure the crowds.

We especially applaud Atlanta's Pano Karatassos, who headed the SOS national restaurant program, and Detroit's Jimmy Schmidt, who appeared on the television Today Show nationally to encourage people to attend the food fund-raising events and emphasized a toll-free information hot line for viewers to call.

Bon Appetit magazine paid the rental for the New York City event, which drew 1,000 people to a large ballroom at 295 Lafayette St. Master Card donated 25 cents to the cause each time a customer in any city used the card at a participating restaurant for two weeks prior to the events.

"What interests people about Taste of the Nation is that this is one charity in which all the funds go to the agencies that need the help," SOS founder and executive director Bill Shore aptly declared.

For example, the proceeds from the Chicago event went directly to the Greater Chicago Food Depository. the Eastern Illinois Food Bank, and international relief agencies.

All the restaurants and individuals who aided this drive deserve praise for recognizing a critical need to help others. Having lauded everyone connected with the project, we say it is a promising start but not nearly enough.

There are 650,000 restaurants and food-service units of all types in the United States. We would estimate that perhaps half of these potentially could participate in the tastings served up annually.

The help of 700, including some of the most prestigious restaurants, is encouraging. But it is also paltry for an industry that employs 8 million persons and is such a huge factor in the nation's economy.

Undeniably, the industry has an obligation to give back something to the community and to the have-nots. We would expect to see at least 2,000 restaurants participating in next spring's drive and more than 100 cities of all sizes hosting events. This is not too much to ask in an affluent society.

Nor should helping the hungry and homeless just be a one-evening annual afffair. It should be a steadily continuing effort.

Fortunately, public-spirited citizens such as Gael Greene and the late James Beard have inspired constant programs to feed the hungry in New York City. More cities need to follow this example and not feel only a once-a-year obligation to help.

Caring about others and feeding the hungry do not thwart the free-enterprise system, as some have contended. Instead, this concern gives some people a chance to get back on their feet and possibly regain their self-respect.

Taste of the Nation should in effect be a daily or weekly event in each city. It should be carried through in the same enterprising spirit that motivates Victor Tiffany of the Banana Bay Grille, Kissimmee, Fla. "In Orlando, as in many cities, we have a large number of homeless people who go to sleep hungry every night," he says. "Each week we save leftovers and cook up two huge and hot stews that we bring to help feed the homeless."

A few other restaurants in the Orlando area also participate year-round. Orlando food-critic Scott Joseph and other food-service professionals are helping, too.

"Wouldn't it be wonderful if all the restaurants in the Taste of the Nation event continued their concern and goodwill afterward and brought leftovers to their local homeless centers every week?" Tiffany asks.

It would be even more wonderful if a lot more restaurants participated in Taste of the Nation and tried to help the hungry all year. A little altruism — at virtually no financial cost to a restaurant — can only promote goodwill.

## LETTERS

### *Dept. store operations can be unique concepts*

Editor, NRN:

As general manager of Canada's largest department store restaurant group, The Bay and Simpsons, I was very much interested in your Editor's Corner, "Department stores: Time to wake up."

Through the support of senior management, we have been able to create exciting restaurant concepts supplemented by our own sales promotion programs.

In October we completed construction of The Arcadian Court restaurant in our downtown Simpsons Toronto store, giving us the entire eighth floor devoted completely to three unique and different concepts.

The Arcadian court is a full-service, white-linen restaurant in the traditional fashion. The Bay Street Bar and Grille is an open-kitchen concept targeted toward the financial center clientele, and the City View Cafe is a self-serve, 400-seat restaurant.

We operate more than 40 self-service cafeterias in The Bay department store chain and we have put materials to use to market and merchandise these units.

We are proud of our restaurants and the unique role we play in the entire retail scheme of the organization.

Thank you for highlighting department store food services.

— **D.A. Fairweather**
*corporate general manager*
HBC Food Services
Toronto

### *Dishonest bartenders are as good as beans*

Editor, NRN:

As this is my first letter to you in many years of enjoying Nation's Restaurant News, I want to thank you for maintaining such a well-rounded, industry-conscious publication. You maintain the pulse of a dynamically changing industry while paying due respect to such fundamentals as training, customer service, sound business practices, and perceived value, which have been the basis for real growth.

Among the contributing writers I hold in great esteem is Herman E. Zaccarelli. His article on dishonest bartenders moves me to share the following anecdote.

A leading restaurateur observed a pile of whole coffee beans adjacent to the cash register that the devious mixologist had been using to keep track of his "skimming proceeds." The owner asked the bartender why the beans were on the back bar. The employee replied that he liked to eat them.

The owner then told the culprit to eat the unground beans. The thief grimaced and swallowed them. The operator then terminated the employee on the spot.

— **Daniel A. Groat**
Sunnyvale, Calif.

### *Greenaway leaves legacy of admiration, respect*

Editor, NRN:

It is with a great deal of sadness that I read in Nation's Restaurant News of the death of Donald Greenaway. My admiration for this man spans a period of about 30 years. He was a kind, wise, and knowledgeable executive.

Within a few weeks I will be observing my 60th year with Edward Don and Co. of Chicago and Florida. In my lifetime, few men came on the scene like Greenaway.

— **Ira Lieb**
*sales manager*
Edward Don and Co.
Fort Lauderdale, Fla.

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**CULINARY SCHOOLS**

***Field training readies students for real world***

Focus section follows page 30

**PURCHASING**

***Portion control is the bottom line***

Patt Patterson/Page 19

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NRN Photo

**Gennaro Picone, left, chef of Malvasia, New York, and David Pearlberg, manager.**

# Bice's Picone, Tihany open Mediterranean-Italian bistro

**By Milford Prewitt**

NEW YORK — Gennaro Picone, the acclaimed chef of Bice, and Adam Tihany, the prolific restaurant designer, have teamed up to open Malvasia, a Mediterranean-Italian themed restaurant that pays gastronomic homage to Picone's homeland, the Lipari Islands near Sicily.

The new restaurant blends Picone's culinary heritage with Tihany's design flair to create a casually elegant bistro right in the middle of the congested but high-rent district of Manhattan's East Side.

The 2,000-square-foot, bi-level facility was constructed in a three-story brownstone whose sand-colored facade, mahogany accents, and sidewalk cafe conjure images of a breezy, Medi-

*(See **BICE CHEF**, page 4)*

# Ponderosa chief ousts senior vp; licensees cheer

**By Bill Carlino**

DAYTON, Ohio — In a move applauded by the chain's disgruntled franchisees, new Ponderosa chief executive J. Michael Jenkins has taken the first step in his planned turnaround by forcing senior marketing vice president Darrough B. Diamond to resign.

Jenkins, who assumed the troubled reins of the 700-unit steak house chain just one week earlier, inherited an operation suffering from flat sales and a turnstile-like tenure for top-level management.

**Jenkins**

**Diamond**

"This was a case of a guy [Jenkins] with a difficult job to do, and he wanted to do it with his own people," said Diamond, reached at his home. "I can't blame him for that. A new president or chief executive has to feel comfortable with his team."

A new marketing chief was not immediately named. Jenkins declined to comment.

Diamond's exit is the second executive shake-up to rock Ponderosa over the past two months. In April Ponderosa chief executive Frank Holdraker abruptly resigned, creating the void filled by Jenkins.

Several Ponderosa franchisees lauded Jenkins' decision, claiming that during Diamond's one-year stint, the company's marketing strategy was unfairly skewed toward company units.

"The chain lacked a strategy that was beneficial to both franchisees and company stores," said U.S. Restaurants president Steven Lewis, a 38-unit franchisee in Norris-

*(See **PONDEROSA**, page 4)*

# TCBY escalates frozen-yogurt wars

**By Rajan Chaudhry**

LITTLE ROCK, Ark. — TCBY Enterprises Inc., which operates the nation's largest frozen-yogurt franchise system, is taking no prisoners in its bid to dominate the fast-growing frozen-yogurt market.

The company's latest coup is a joint-venture agreement with Marriott that will place TCBY units in toll-road travel plazas and in airports. The concept has already proved viable in airports in Minneapolis and Atlanta.

TCBY has also introduced two successful new products this year; it is testing several other items designed to exploit its take-out opportunities; and through its re-

*(See **TCBY**, page 69)*

**TCBY**
Little Rock, Ark.
**Primary product:** Frozen yogurt
**Founded:** 1981
**Number of units:** 1,300
**1988 sales:** $83.5 million
**Average per-store sales:** $224,000
**Chairman, chief executive officer:** Frank D. Hickingbotham
**Parent company:** TCBY Enterprises Inc.

**FOOD WATCH**

## *Choco taco*

**HOUSTON — Carrying a fondness for regional menus to the very end, Bruce Molzan, Ruggles Grill chef-owner, has created a taco for dessert.**

**This taco is a cookie tortilla filled with chocolate mousse and vanilla custard and topped with a look-alike version of pico de gallo made with strawberries and fresh mint. Rather than using the traditional dollop of sour cream, Molzan finishes his creation with the whipped variety.**

**The taco is presented on a large, white plate swirled with strokes of chocolate, raspberry, and mango sauce.**

**— Tracey Taylor Woodard**

# Spectrum's Frank resigns prexy post

## *ARG's Roberts takes charge*

**By Alan Liddle**

SAN FRANCISCO — Charles A. Frank has resigned as president of Spectrum Foods after 16 years, becoming the fourth high-ranking executive to leave the Anwar Soliman-owned restaurant group in recent months.

**Frank**

Ralph Roberts, president of Soliman's Newport Beach, Calif.-based American Restaurant Group, succeeded Frank.

Roberts, who remains ARG president, is also president of the company's Stuart Anderson's and Grandy's chains.

Current Spectrum employees and former staffers with ties to the company said they were surprised by Frank's resignation and said it came in the aftermath of a meeting he had with Soliman and Roberts.

*(See **FRANK**, page 69)*

CHILI'S BRINKER TO HEAD NRN MUFSO PANEL — PAGE 7

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# NEWS DIGEST

## LeRoy combats strikers with $10 million lawsuit

NEW YORK — Warner LeRoy, owner of the Tavern on the Green restaurant here, said he has filed a $10 million lawsuit against the Hotel Trades Council, the union representing striking Tavern employees in a no-holds-barred wage dispute with LeRoy.

LeRoy alleged in the suit that the council is using a pilfered banquet schedule to dissuade booked groups from holding their dinners at the parkside Tavern while the strike is in progess. In addition, LeRoy charged that the union maligned the restaurant in a pamphlet that was handed to potential customers who crossed the picket line.

LeRoy recently ran half-page advertisements in The New York Times, beseeching would-be patrons to keep the high-volume restaurant alive by ignoring the strikers parading outside.

## Marriott taps Johnson for Travel Plazas helm

WASHINGTON, D.C. — Marriott Corp. has tapped Paul E. Johnson Jr. to head the conglomerate's Travel Plazas division, filling the vacancy left by Steve Leipsner's resignation in February.

Johnson, formerly group vice president of finance and development for Marriott's services group, also oversees the procurement of real estate for Marriott's restaurant operations and retirement communities.

Travel Plazas, consisting of more than 100 roadside food-service and retail outlets, was generating annual sales of $300 million at the time Leipsner resigned to seek a post with more responsibility.

Whereas Leipsner's titles were executive vice president and general manager, Johnson's designation is vice president and general manager.

## 'Snag' scuttles purchase of Chicago dining landmark

CHICAGO — The pending sale of Riccardo's, a 42-year-old bar and restaurant here frequented by the advertising trade, has fallen through in the negotiating stages.

"We hit a snag in our negotiations," said Sherwood Blitstein of Centrum Properties, the local company that had agreed to buy the restaurant for an undisclosed amount from Nick and Bill Angelos. Centrum had said that it would lease the location to a restaurant operator.

The Angelos Brothers have owned the Italian-Greek restaurant since 1974. They said that excessive taxes and rising expenses forced them to put Riccardo's on the market.

## Popeyes lengthens menu with addition of shrimp

LAFAYETTE, La. — Popeyes Famous Fried Chicken and Biscuits is rolling out a butterflied shrimp platter to 650 of its 700 units.

The item has not been added to the menu of Church's Chicken, Popeyes' sister chain within A. Copeland Enterprises.

Popeyes' latest menu addition features 11 pieces of batter-fried shrimp accompanied by fries, fruit salad, and a garden salad.

## Head of new Oregon group steps down in transition

PORTLAND, Ore. — Betty-Coe deBroekert, Oregon Restaurant Association executive vice president, said she has resigned, effective Sept. 30, so that the board can "forge the new organization in a manner most befitting its revised structure."

ORA was created earlier this year through the amalgamation of two rival groups: the Portland-based Oregon Restaurant & Hospitality Association and the Oregon Restaurant & Beverage Association of Salem.

The ORA board must tackle several important chores related to the amalgamation in coming months, including paring down duplicative staff positions.

## KFC shutters Beijing units after army attacks students

LOUISVILLE, Ky. — Kentucky Fried Chicken has temporarily shut its two Beijing, China, units — one of which is in Tiananmen Square — following the violent clash between Chinese troops and student protesters demanding democratic reforms.

After closely monitoring developments in Tiananmen Square, chain executives here decided to shutter the units out of concern for employees' safety, said Dick Detwiler, KFC's director of public affairs.

"We plan to reopen as soon as the climate is better," Detwiler said.

## Suffolk packaging ban put on hold pending study

RIVERHEAD, N.Y. — A State Supreme Court judge has ordered Suffolk County to delay enactment of its controversial packaging ban until an environmental-impact study is completed.

The measure, which would have outlawed non-biodegradable and plastic food-service containers, was set to go into effect on July 1. The legislation was among the first in the nation to ban certain packages in an attempt to ease a garbage glut.

Many other regions of the nation are reportedly eyeing Suffolk's restrictions as potential legislative models. For instance, the chief executive of nearby Westchester County said that populous region might follow the lead of Suffolk if the latter's ban is ultimately enacted. Meanwhile, county chief Andrew O'Rourke has banned foam-type containers at concessions operating at county-owned beaches.

## Garcia re-emerges as head of new Eat Ribs concept

WALNUT, Calif. — Carlos Garcia, a Horn & Hardart Co. executive until last fall, has resurfaced here as president and chief executive of the new Eat Ribs Inc.

He said he hopes to build up a chain from the concept, which he describes as "the home of all-you-can-eat ribs."

Garcia was operations vice president of C.A. Muer Corp., a Detroit-based restaurant operator, in the late 1970s and early '80s. He was with other chains before joining H & H in 1985 as executive vice president and general manager of the food-service division, reporting to corporate chairman and president Barry Florescue. When he was ousted last year, Garcia also parted with the company.

## Perkins grants Denver turf to Vista Restaurants

MEMPHIS — Perkins Family Restaurants has signed a letter of intent with Vista Restaurants, a recently formed company based in Denver, to franchise eight Perkins units in the Denver area.

Perkins president Richard Arras said the agreement opens the door for faster expansion in the Denver market.

## LA smog officials reassert authority to ban drive-thrus

LOS ANGELES — After casting doubt on the enforceability of a controversial 20-year plan to curtail smog here, state officials have reaffirmed that the region's air pollution agency has the legal authority to ban drive-thru restaurant construction and tighten char-broiler emission limits.

Although the state Air Resources Board said the sweeping program to meet federal clean-air standards could not be enacted without cooperation from local governments, the board validated the proposed adoption, by 1993, of rules to outlaw new drive-thrus or restrict their design, location, and operation.

The state also gave a green light to the local agency's planned public hearings on proposals to require new equipment to reduce char-broiler emissions. The hearings could start next year.

# Dunkin' erects barriers to thwart possible takeover

By Peter Romeo

RANDOLPH, Mass. — With a hostile suitor amassing shares, Dunkin' Donuts Inc. is striving to protect its independence by selling new preferred stock in a private placement and using the proceeds to pull common issues off the market.

The move drew a sharp protest from Kingsbridge Capital Group, the Canadian concern formed by Toronto businessman George Mann to grab ahold of the bakery chain.

Dunkin' "chose to sacrifice corporate value in order to place votes in the hands of a favored corporate buyer," read a statement from Kingsbridge president Earl Rotman. He accused Dunkin' management of selling the preferred stock "under terms that are highly advantageous to one selected corporation . . . to place votes in the hands of a favored corporate buyer."

"We do not agree with their characterization," retorted Dunkin' chairman Robert Rosenberg. "It's very competitive, and we think it's clearly in the best interests of this company and its shareholders."

Dunkin' has sold 28,000 newly issued preferred shares for $28 million to General Electric Capital Corp., a lender that has financed several major food-service deals in recent years. The transaction gave General Electric a 10-percent stake in the doughnut maker.

*The sale-repurchase is the doughnut chain's latest effort to stonewall Kingsbridge, which has suggested a $313 million, $42-a-share buyout.*

Dunkin' said it would use the proceeds to repurchase 20 percent of its common stock, or 1.4 million shares. After the buyback, management would control more than 15 percent of the company's stock, and its newly formed Employee Stock Ownership Plan would hold roughly the same stake.

Under a previous repurchase plan, Dunkin' had acquired 355,000 common shares.

General Electric's ability to tender its shares is constrained by restrictions set in the agreement with Dunkin'.

Rosenberg would not disclose whether Dunkin' has sought to repurchase common shares held by Kingsbridge. Mann's newly formed company said it recently boosted its stake in the snack-shop operator to 12 percent from a 7.6-percent position in April.

The sale-repurchase is the doughnut chain's latest effort to stonewall Kingsbridge, which has suggested a $313 million, $42-a-share buyout. Dunkin' has already enacted an ESOP, adopted a "poison pill" takeover defense, and axed 14 percent of its payroll.

The new issue of preferred stock is convertible to 700,000 common shares after May 31, 1990, at $40 a share. The company is required to redeem the shares on May 31, 1996.

The stock will pay a 10-percent annual dividend for the first three years and rise to 11.5 percent thereafter, Dunkin' said.

The preferred shares have the same voting rights as the common stock but will be entitled to a separate class vote on certain matters that would adversely affect the rights and preferences of the preferred stock.

**A typical Dunkin' Donuts unit.**

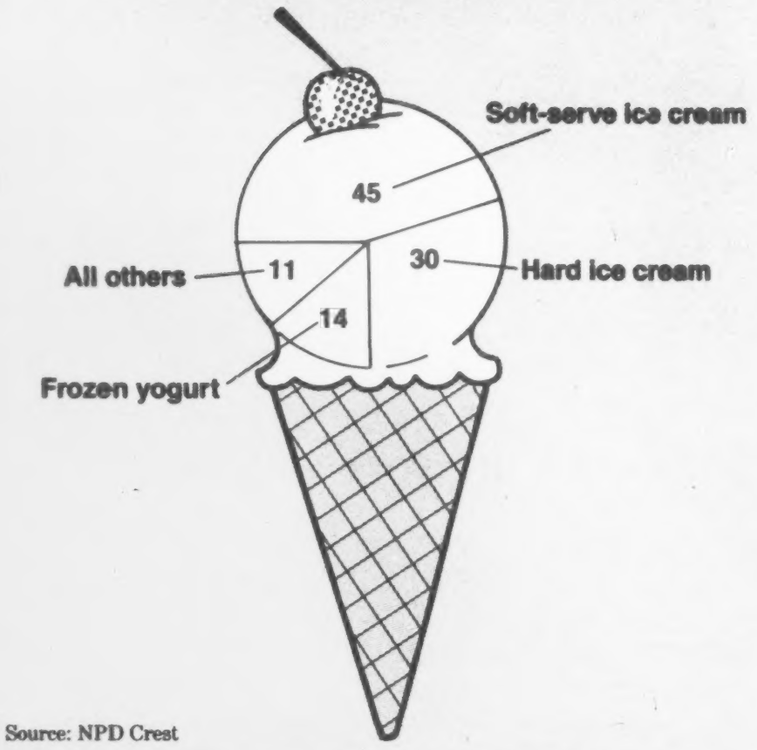
**Robert Rosenberg**

## FACT FILE

*A look at the statistics shaping the industry*

### SOFT-SERVE SCOOPS FROZEN DESSERT COMPETITION

(market share, by eater occasions, in percent)




Source: NPD Crest

## NRN FINANCIAL DIGEST

### Fair weather helps Cracker Barrel

LEBANON, Tenn. — Cracker Barrel Old Country Store Inc. said mild winter weather contributed to a 67-percent year-over-year hike in net income, to $2.2 million, on a 34-percent increase in sales, to $40.4 million, for its third quarter ended April 28.

For the April-ended nine months, the company posted a 58-percent profit rise, to $5.9 million, on a sales gain of 37 percent, to $119 million.

Cracker Barrel operates about 70 family-style restaurants, mostly along interstate highways.

### Two Pesos loses $4.8 million for year

HOUSTON — Two Pesos Inc. said a $2.3 million operating loss and a $2.4 million extraordinary charge resulting from an adverse judgment gave it a net loss of nearly $4.8 million for the year ended March 31.

Two Pesos, which operates and franchises 30 fast-food Mexican restaurants, is appealing a $3.4 million judgment arising from litigation over trade-dress infringement brought by rival Taco Cabana International Inc.

For the fourth quarter, Two Pesos posted net income of $103,000 after an insurer coughed up $959,000 — the policy limits — toward the judgment. Revenues rose 15 percent, to $8.3 million.

### Piccadilly posts profit gain

BATON ROUGE, La. — Piccadilly Cafeterias Inc., operator of 129 cafeterias, said inclement weather cut customer counts 1.2 percent and held net income to $2.3 million — a 5-percent gain — for the third quarter ended March 31.

Sales for the quarter rose 21 percent year-over-year, to $69.6 million.

Third-quarter results include the first full-quarter contribution of six-restaurant seafood chain Ralph & Kacoo's, which Piccadilly acquired in December 1988.

Net income for the March-ended nine months fell 22 percent, to $8.7 million, reflecting an accounting change last year that resulted in a one-time gain of $2.6 million.

Sales for the nine months increased 16 percent, to $202.2 million.

### Swensen's boosts Steve's sales, profits

PHOENIX, Ariz. — Steve's Homemade Ice Cream Inc. said its August acquisition of Swensen's Inc. and demand for two new products lifted net income more than 66 percent on a 95-percent rise in revenue for its first quarter ended April 1.

Net income for the quarter increased to $378,000 from $227,000 in the same period last year.

Revenue increased to $7.5 million in the first quarter of 1989 from $3.8 million in last year's first quarter.

Both sales and profits were bolstered by the introduction of two new products — Steve's Outrageous ice-cream bars and Steve's Make-A-Wish bars, the company said.

## FOOD PRICE OUTLOOK

# *Supply of shrimp on the rise*

Every year the amount of shrimp consumed in the United States seems to rise. Demand has long since passed domestic fishing capacity. In fact, about half of all of the **shrimp** sold here is **imported.** The rest of the world rightly sees the United States as a prime export market. One of the most recent has been mainland China, which is stepping up its shrimp exports to us dramatically every year.

This season, however, **domestic shrimp** production has increased, with Texas and Florida boats pulling in more of the small crustaceans. Weather has been good, and feeding conditions for shrimp have improved over the past couple of years. As a result, the price of **fresh and frozen shrimp** has stayed relatively stable, even falling a bit in midspring. Expect prices to remain in a narrow range until fall unless some disaster occurs.

Outlook for **cod** prices is stable through the summer. Supply and demand for **frozen blocks and slabs** (the raw material for portions and sticks) is about balanced. A successful change to less expensive species earlier has kept down demand from fast-service chains.

**Frozen orange juice concentrate** prices could rise again. A shortage of **Valencia orange juice** (used in many blends to supply color) plus a higher-priced and lower quality Brazilian product means producers are in a price bind.

The food-service pack of **California frozen spinach** is up sharply . . . Unless disaster hits, the **California apricot** crop may well be the largest in three years . . . Large stocks of domestic hams plus heavy imports have forced **canned ham** prices lower . . . **Dry bean** prices are at record prices, while **dried pea** and **lentil** prices are near recent lows.

# FOCUS | VIEWPOINT

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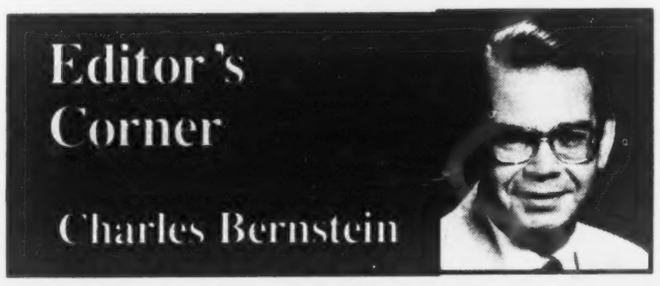
# *Great expectations, disappointing results*

The essence of fine dining — as in any great experience — is often the expectation of something special. But frequently the actuality falls far below our standards.

Perhaps our expectations are simply too high when we dine out. No matter how may times we might have been burned, we anticipate that this time everything will be almost perfect and don't allow for flaws with the food or service.




Yet there are some things we feel simply should not happen or should happen another way. We'd bet that others agree.

Perhaps what occurs is simply a power struggle for control, with the waiter or waitress in effect vying with the customer from the beginning. It would be far better to at least have the customer feel an illusion of control.

It all starts when a person arrives at a restaurant, expecting an ideal or at least a half-decent location and is somehow seated next to the kitchen or in the path of all kinds of traffic. Worse still, the restaurant sometimes refuses to change the location no matter how politely one asks and no matter how many empty tables abound in other areas.

Then there is the propensity of restaurants to offer so many daily specials that they overshadow the actual menu. If there are 17 menu items, there may be 20 specials.

This is most disconcerting — even more so when the waiter or waitress tries to read, or recite from memory, an endless array of specials, sometimes succeeding all too well. One is generally hard-pressed to remember an appetizer special and two entrée specials in any specific detail from the whole list.

If the server is an aspiring actor or actress, he or she could enhance an acting career with the oral dramatizations of the specials . . . often a well-rehearsed, almost flawless performance.

How about the situation where the server can readily see that the customer is engaged in a conversation and barges in with this type of quip, "Sorry to interrupt, sir, but would you like to hear the specials now?" Whatever the answer, the customer is not happy about the interruption.

Then there is the silly practice of managers and servers alike constantly asking, "Is everything OK?" or "We trust that the food and service are satisfactory." Perhaps this is just another way of bucking for a big tip. But no doubt these questions are asked with the best of intentions.

Actual surveys of customers may make some sort of sense. But if a restaurant manager has to depend on patrons to tell him if the food is tasty, something is wrong somewhere. The manager should inherently know by tasting the food even if taste preferences do vary individually.

Furthermore, most customers are reluctant to say anything even if they are chafing at some grievances involving the restaurant. The typical response will be "Everything is fine." The manager learns nothing but in some cases succeeds in subtly annoying the customer.

Another bugaboo is that water is not served because of a (nonexistent) water shortage. "Everyone must save water," the slogan goes. If the customer doesn't specially ask for it, he or she won't get it.

Then there is the server who tries to push the most expensive liquor or the most expensive dessert rather than the one the customer wants. Instead, the server emphasizes the attributes of the most expensive item, much to the detriment of the customer. This overmerchandising differs from the perfectly acceptable suggestive merchandising, "Would you care for dessert?"

Sometimes the problem is more basic. A waiter is simply surly or glib — or completely lacking in flexibility. It can drive a customer up the wall when a request to leave off the sauce receives this answer, "This is the way it's served, and we can't vary it."

Maybe the meal is served too fast or too slow. How about the server who maintains a fast pace throughout the meal, seeing that all the courses are served in rapid sequence. But when the customer wants to order coffee or pay the bill, the server is nowhere to be seen for the next 10 minutes.

Then there is the credit card that drives customers crazy with separate spaces for the captain's and waiter's tips. Most people are completely befuddled, although the intent is to obtain a higher overall tip. The discerning customer simply writes in a tip for the waiter, and it may even be less than 10 percent because of annoyance with the complex credit-card forms.

A restaurateur can never please everyone, but he or she surely can try a lot harder. When we search for explanations of declining customer counts at many restaurants, these gripes and resultant customer dissatisfaction are high on the list.

Restaurateurs must encourage their staffs to outdo themselves in pleasing the customer and to equal or surpass expectations. The reward would be happy customers and repeat business rather than disillusioned customers not inclined to return.

## *LETTERS*

### *Choosing HRIM schools takes careful evaluation*

Editor, NRN:

Your Editor's Corner column "Educational funk: Management schools" is right on target. I agree with your premise that many schools do "represent an archaic remnant" of days gone by in the selection of studies in the hospitality field.

An outstanding school is Florida International's School of Hospitality in Miami. It has one of the finest teaching staffs and stresses the importance of the whole hotel and restaurant industry. The faculty has wide experience, both in classroom theory and prior executive skills.

These skills are passed on to the students, thus creating a real world and not just a theoretical one. For example, there are three CPAs on staff, while many schools do not have any.

The school is located in one of the tourism capitals of the nation. This allows students to observe and participate in the many aspects of the hotel and restaurant field.

Other institutions that are not located in a high-tourist area can offer hands-on training only during school breaks or the summer. A 100-percent placement factor keeps Florida International at the top of recruiters' lists.

Whether you call it hospitality management, restaurant administration, or hotel administration, it is important to encourage future students to look at curriculum, faculty, and location to ensure that their tuition dollars are well spent.

**— Mark Campagnolo**
*owner*
Joe's Restaurant
Ithaca, N.Y.

### *'21' Club's attraction transcends the food*

Editor, NRN:

In a May 15 letter Sydney Palmer Waud, president of Four Star Cuisine, whote that Marshall Cogen should be removed from ownership of the '21' Club "so this unique establishment can be restored to its former greatness."

Waud refers to the '21' Club as a "once-venerated institution." The Oxford American Dictionary's definition of venerate is "to regard with deep respect, to honor as hallowed and sacred."

I celebrated my twenty-first birthday at '21' in 1953 and have dined there on many occasions since. It has a first-class bar (no stools) and is a unique place but never great and certainly not venerated by lovers of good food.

I have, however, always found the food at '21' amusing. Imagine, one of the specialties of the house is an astronomically, double-digit priced hamburger.

Critic Seymour Britchky in his book "The Restaurants of New York" wrote of '21' in 1978, "It is probably the most successful culinary sleight-of-hand ever carried out, and anyone who attends it once, and voluntarily returns, has got to have been fooled by its reputation."

Britchky goes on, "The ingredients are of decent quality, but the preparation of the food is uniformly lackluster, and the service pedestrian."

Former New York Times critic Mimi Sheraton wrote in 1982, "It is hard to believe that anyone would go to '21' deliberately for the food."

New York magazine critic Gael Greene, in a 1968 review, wrote of '21,' "The demanding palate is sadly neglected."

And, in 1982, Gault Millau, international food critic, reported in a review, "Cooking at the '21' is irregular; sometimes it's bad; other times it's worse."

Veneration, I guess, is in the mind of the beholder.

**— Jay M. Tischenkel**
Miami, Fla.

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6/22/89

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Nation's
# Restaurant News®
*The Weekly Newspaper of the Food-Service Industry*

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# Coniston wins TW

## *$1.7 billion bid does the trick*

**By Peter Romeo**

NEW YORK — Coniston Partners, the arbitrager that tenaciously pursued a takeover of TW Services through nine trying months of legal maneuverings, has finally bagged the food-service giant with a shotgun blast of cash.

TW, the nation's fourth-largest restaurant operator, dropped its steadfast opposition after Coniston sweetened its stock-tender bid to $34 per share, or $1.7 billion in total. Coniston had been offering $29 per share, or $1.4 billion, and had begun amassing TW's stock in September at $19 per share.

TW confirmed that it had fielded other purchase proposals, but it would not disclose whether those offers were for all or only part of the company. Its food-service empire includes Denny's, the segment-leading coffee-shop chain; Canteen Corp., a contract-feeding behemoth; Quincy's, a regional steak-house operation; El Pollo Loco, a quick-service chicken chain; and 400 franchised Hardee's hamburger outlets.

"We plan to grow both of TW's core operations — restaurants and food-service [management] — through both expansion and acquisitions," said Coniston principal Paul Tierney. "We expect very few divestitures."

However, the day after Coniston revealed its pending acquisition, a TW subsidiary disclosed that it would weigh the possibility of selling Winchell's Donut Houses, a limited partnership in which TW holds a 42-percent stake.

*(See **CONISTON**, page 4)*

**TW Services Inc.**
Paramus, N.J.
**Operates:** 1,250-unit Denny's coffee-shop chain; 215-unit Quincy's steak-house chain; 400 franchised Hardee's hamburger restaurants; 100-store El Pollo Loco grilled-chicken chain; Canteen Corp., a Chicago-based contract feeder; 725-unit Winchell's Donut Houses snack chain.
**Financial data (1988):** net profit of $66.9 million, up 18 percent from prior-year figure, on revenue of $3.6 billion, up 44 percent.
**Top officers:** Frank Salizzoni, chairman and chief executive; Jerry Richardson, president.
Source: company reports

NRN Photo

**Kids take their time ordering from children's menus at Mick's.**

# KID POWER

## *Operators boost family business by catering to children's needs*

**By Jack Hayes**

Like grandparents lonely for the sound of voices in an empty house, savvy restaurateurs from coast to coast are opening their dining rooms to let the children in.

And with the kids are coming grown-ups — and a new and highly profitable early-evening dining group: the family.

"Fifty percent of our covers between 4 p.m. and 8 p.m. are families with kids!" exclaimed Eduardo Greene, a partner in 80, a restaurant that was converted from a singles bar in the McKinney district north of downtown Dallas.

"We're touching a real live market," added Greene, who considers himself a

*(See **KIDS**, page 65)*

# Lights, cameras, fast food!

## *Top chains bank on movie tie-ins*

**By Rajan Chaudhry**

With summer competition heating up, several top fast-food operations are turning the spotlight on movie tie-ins in hopes of translating box-office success into blockbuster sales gains.

**Hardee's Ghostbusters promo**

Hardee's said it expects to "blast" and "slime" rivals McDonald's and Burger King with its Columbia Pictures' "Ghostbusters II" promotion; segment leader Taco Bell is betting on Warner Bros.' "Batman" to build customer counts; and industry giant McDonald's is once again teaming with Disney to pull the Big Screen's littlest fans into the restaurant.

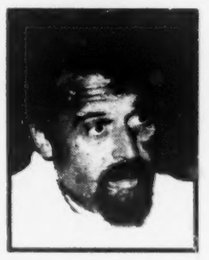
Movie promotions at Hardee's and Taco Bell focus on 32-ounce collector cups and new products. For both companies, major tie-ins with movies are a new item on marketing menus.

McDonald's, on the other hand, has had several occasions over the past 10 years to pair the silver screen with the golden arches, including a tie-in with Disney's 50th anniversary of "Cinder-

*(See **OPERATORS**, page 65)*

# Banchet sells out

## *Liccionis buy Le Français*



**Banchet**

**By Carolyn Walkup**

WHEELING, Ill. — Jean Banchet, the celebrated French-born kitchen maestro who has influenced a generation of American chefs, is selling Le Français, the legendary fine-dining restaurant he founded here 16 years ago with his wife, Doris.

The Banchets are selling the restaurant to Roland and Mary Beth Liccioni, chef and pastry chef at Carlos in nearby Highland Park, Ill., until just last month. Mary Beth Liccioni once apprenticed under Jean Banchet.

The Liccionis will take over in mid-July, according to Doris Banchet. Terms of the deal were not disclosed.

The name will stay the same, and the staff is expected to stay on, she said. The Banchets will continue to own the building.

Le Français earned a spot on the pinnacle of the fine-dining world for its top-quality cuisine, elaborate cart presentations of specials before orders are taken, and 80-page wine list.

Many entrées include a dazzling array of up to seven items on one plate,

*(See **BANCHETS**, page 65)*

**FOOD WATCH**

### *Pipeline strikes oil*

**NEW YORK — Peruvian-born chef Gonzalo Figueroa of the new Pipeline restaurant at the World Financial Center is blending a world of flavors with a linguine-and-shrimp entrée flavored by a pungent, Vietnamese-style peanut oil.**

**Figueroa combines sautéed shrimp shells with garlic and ginger in peanut oil and lets the fortified cooking oil marinate a week. After straining out the shells, he sautés fresh shrimp in the oil, adding fresh ginger, garlic, lemon grass, scallions, and lemon juice. Cooked linguine is tossed in at the last minute. Price: $13.50.**

**— Rick Telberg**

BERNSTEIN ON UNICORP: MENACE TO DUNKIN'S DREAM — F3

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# NEWS DIGEST

## Tower, partners sued over use of Speedo 690 name

SAN FRANCISCO — Contending that chef Jeremiah Tower and his partners in the new Speedo 690 restaurant here are infringing on a trademark, swimsuit maker Speedo International is suing the group.

The sportswear company has asked the courts to order Tower and his partners to change the name of their weeks-old establishment and to award Speedo International triple the amount of any profits the restaurateurs might realize while using the Speedo monicker.

"We named it [the restaurant] after the Speedo Carburetor shop, and they [owners of the automotive shop] had used that name for a great many years," remarked Tower aide Kathleen Shy. She would not comment about how Speedo 690's owners plan to respond.

## Cuomo proposes limits to teens' working hours

ALBANY, N.Y. — In a move likely to draw fire from restaurateurs, Gov. Mario Cuomo has proposed new restrictions on the number of hours teen-agers can work during the school year.

The limits would prohibit 16- and 17-year-olds from working more than 28 hours per week, compared with the current cap of 48 hours. What's more, the students would be prohibited from laboring more than four hours on evenings preceding a school day and from working more than eight hours on Fridays and Saturdays. The teens would also be forbidden to work past 10 p.m. on a school night.

The governor was spurred to draft the proposal by research showing that employed students miss school more frequently and do less homework than do peers who don't work. The proposals come at a time when the restaurateurs in many areas of New York State are hardpressed to staff their operations.

## Monaghan relinquishes Domino's helm to Black

ANN ARBOR, Mich. — Tom Monaghan, the owner of Domino's Pizza, has given up the title of president to Dave Black, a 17-year veteran of the 5,000-unit delivery chain.

Monaghan will remain chairman and chief executive — "active but on different things," he said. Responsibility for day-to-day operations has been ceded to Black, 40, who will also serve as chief operating officer. He was previously vice president of operations.

"We've been talking about this internally for a long time," said Monaghan, who added that he would focus on long-term planning. "We think the time is right." The pizza delivery market has been the scene of intense competition in recent years.

## Spurt in vegetable prices ignites food costs in May

WASHINGTON — Spurred by a 55-percent year-over-year hike in the cost of fresh and dried vegetables, wholesale food-price inflation galloped along at a 7.1-percent clip in May, after slowing to 6.8 percent in April.

High food costs contributed to a 0.9-percent month-to-month rise in the overall Producer Price Index, or a 9.4-percent annual rate.

In 1988 prices at the producer level advanced 4 percent, according to the U.S. Labor Department.

Poultry prices also took off in May, with the cost of eggs advancing 51 percent year-to-year, the price of turkey rising [illegible] percent, and the cost of chicken increasing 26 percent, according to the Producer Price Index for Finished Consumer Foods.

## *Shoney's Danner succeeded by Boyd*

Danner

**By Rajan Chaudhry**

**NASHVILLE, Tenn. — Ray Danner, the founder of Shoney's Inc., has relinquished day-to-day control of the restaurant company to J. Mitchell Boyd, the second-in-command since 1986.**

**In addition to succeeding Danner as chairman, Boyd will continue to serve as chief executive. His former post of vice chairman will temporarily remain vacant, according to the company.**

**Danner, 64, will continue to serve Shoney's in an advisory capacity as senior chairman, the company said.**

**In 1959 Danner purchased franchise rights from Alex Schoenbaum to develop Shoney's restaurants in Tennessee. Since then, Shoney's Inc. has grown to include more than 1,500 restaurants — under the Shoney's, Captain D's, Lee's Famous Recipe Chicken, Pargo, and Fifth Quarter banners — and about 50 Shoney's Inns, with total revenues exceeding $800 million.**

**Boyd, 50, joined Shoney's 23 years ago as a management trainee and rose through the ranks to vice president of operations before striking out on his own as a franchisee in 1977. In 1986 Danner lured Boyd back as vice chairman and chief executive by offering him a substantial equity position in Shoney's and buying Boyd's Virginia operations.**

**Under Boyd's management, the company undertook a recapitalization in 1988, triggering a shift toward franchising and sparking expansion beyond the company's Southern stronghold.**

## Coohill to exit The Abbey for Peasant's City Grill

ATLANTA — Tom Coohill, the young culinarian who set kitchen fires burning at the popular Abbey restaurant here a year ago, will become the Peasant Restaurant group's first executive chef when he joins the City Grill on July 1.

City Grill, which debuted six months ago as Peasant's first move into the formal-dining arena, was challenged by an Atlanta Journal & Constitution review labeling the fare average and the operation a Queen Mary with training wheels.

## James, formerly of Kuleto's, moves to Yellow Fingers

NEW YORK — A young former chef of the popular Kuleto's in San Francisco has been hired to run the kitchen at Yellow Fingers, a casual restaurant here that had been overseen by culinary phenom Brendan Walsh.

At Kuleto's Jesse James specialized in Italian dishes with French accents. Yellow Fingers' menu features light Italian fare with American influences.

The restaurant is part of a midtown restaurant enclave that also includes Arizona 206, a top-rated Southwestern restaurant, and Contrapunto, a popular pasta restaurant. Walsh had overseen all three places until his departure earlier this year to open a restaurant of his own.

## Donn 'the Beachcomber' dead of cancer at 81

HONOLULU — Donn "the Beachcomber" Beach, the eccentric restaurateur who reputedly concocted such drinks as the Mai Tai and the Zombie, died here of liver cancer at age 81.

Beach owned and operated Don the Beachcomber, a restaurant chain that had units in Chicago; Las Vegas, Nev.; Honolulu; and Hollywood, Calif. He claimed that he invented more than 80 signature libations at his restaurants.

FINANCIAL NEWS

# Eating place expenditures rise 703% over last 23 years

By Deane Evans

WASHINGTON — Spending for food in restaurants and other food-service outlets during the past 25 years has increased at twice the rate of grocery store expenditures, according to U.S. Department of Agriculture economists.

In a new report on food expenditures, USDA researchers said away-from-home spending increased a massive 703 percent from 1965 to 1988, more than double the at-home rate, which advanced 334 percent during the same period.

Breaking down the 25-year figures, economists reported that the food-service share of food spending rose from 30 percent in 1965 to 39 percent in 1980 and hit 45 percent in 1988. According to the report, between 5 percent and 10 percent of food-service expenditures went for the cost of preparing and serving the food.

With restaurants edging toward a 50-50 share, total food expenditures reached $473 billion last year. Food-service spending rose 6 percent from 1987 to 1988, compared with a 4-percent increase in expenditures for food at home.

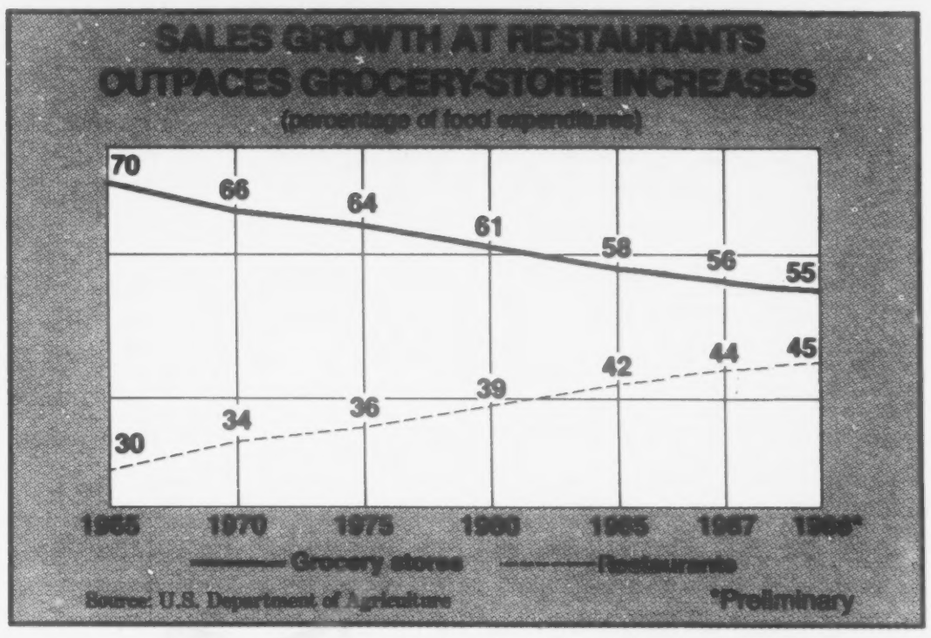
"One reason for this difference is that people are eating out more as incomes rise and as more women enter the work force," the USDA said. And fast-food sales continue to be a key force in food-service growth, they reported.

In 1987 one-third of all away-from-home food was bought in fast-food places, up from 10 percent in 1963, Agriculture Department economists said.

At the same time increases in food-service spending also reflect the steeper menu-price inflation for away-from-home meals and snacks of the mid-'80s, researchers explained.

For example, prices for food purchased for home consumption rose 3.7 percent in 1984 compared with a 4.2-percent increase in food-service prices. The difference was even greater in 1985 when at-home food prices increased only 1.4 percent while restaurant prices rose a full 4 percent.

However, price increases in the two sectors have evened out during the past two years. In 1988 prices for food consumed at home rose 4.2 percent while prices in restaurants increased 4.1 percent.




# El Pollo Asado expects $4.8M loss

By Rajan Chaudhry

PHOENIX, Ariz. — El Pollo Asado Inc. said it expects to report a loss of about $4.8 million for the year ended March 26, compared with a $7.7 million loss in fiscal 1988.

The latest year's operating loss reflects an addition of $2.7 million to the company's reserve for the closing of unprofitable restaurants, which was established last year. The charge to the reserve in fiscal 1988 totaled $3.6 million.

The increase in the reserve was largely the result of the company's decision to continue conversion of all company restaurants to the new Mexican Cafe format. But the costs of moving the company's commissary also contributed.

El Pollo Asado operates 15 company Mexican and charbroiled chicken restaurants. Five are Mexican Cafes, seven will be converted to Mexican Cafes this year, one will be closed, and two will be sold or converted. It also franchises 21 restaurants, including nine Mexican Cafes.

El Pollo Asado has negotiated the settlement of lease obligations on six closed restaurants, according to chairman and chief executive Richard B. Lipson, reducing its loss from continuing operations to $2.1 million from $4.1 million, and it has refinanced its bank debt with its principal lender.

The debt restructuring includes additional borrowings as well as a moratorium on scheduled principal and interest payments until June 1991.

Of the total borrowings, $3.5 million has been converted to non-interest-bearing subordinate debentures, due in 1992. The company's lender will be granted warrants to purchase 2.7 million common shares at 20 cents each, and El Pollo Asado will have a right of first refusal to repurchase the shares at $1.80 a share or market price, whichever is lower.

The company also said it signed a franchise agreement with Carousel Commons, which will develop 10 El Pollo Asado Mexican Cafes here, in Las Vegas, Nev., and in Orlando, Fla.

Carousel Commons units combine up to six restaurant concepts in a building, have a food court inside and drive-thru windows for three of the concepts on the inside, said Ronald A. Paradis, Asado executive vice president.

FOOD PRICE OUTLOOK

## *Orange juice, ham prices may rise*

The possible rise in **frozen orange juice concentrate** prices predicted here last week looks closer. Brazilian concentrate, which has become essential to U.S. packers, has risen steeply, and the supply of domestic Valencia oranges isn't enough to meet demand, so its price has climbed. Private label packers are expected to be the first to start another round of price hikes.

Although there's still a large supply of **imported canned hams** overhanging the market, the price may turn soon. For the past three months imports have fallen off. At the same time, the price of **green hams** in this country has gone up, and this is now being reflected in higher prices for **domestic canned hams.**

The **cling peach** crop looks good, according to early estimates. The forecast is for a 6-percent gain over last year's crop. Combined with a better carryover of the canned pack than last year's, this should mean at least stable prices for the fall and perhaps a little softening.

Although New York state is expecting a shorter **apple** crop than normal this year, prices of **juice** and **applesauce** should remain stable because of cutbacks in consumer consumption because of the Alar scare. Alar, by the way, has been taken off the market, so the concern should finally fade away.

Stay braced for high **canned** and **frozen green bean** and **pea** prices. Opening processor prices for the new packs have been running at about the same level as the ending prices of the old pack.

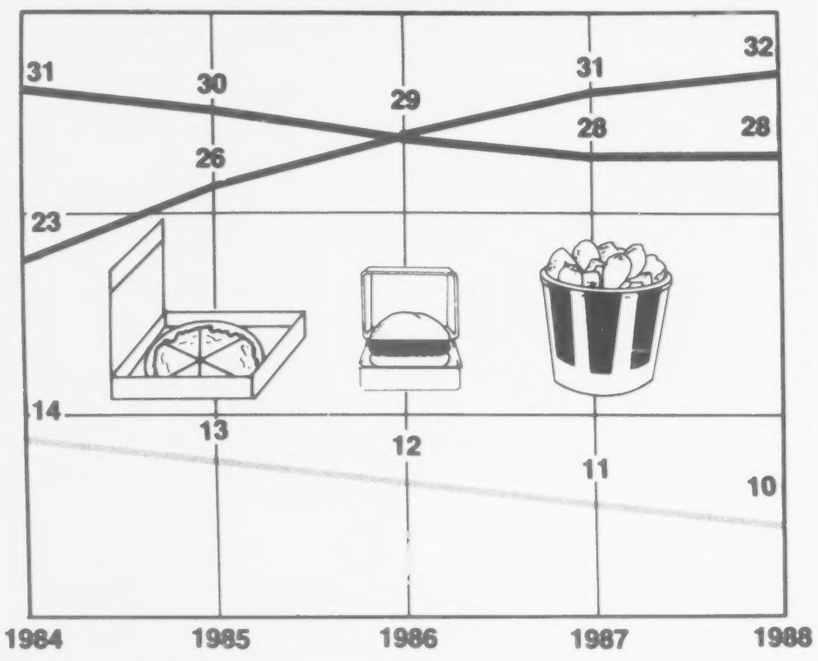
— Patt Patterson

FACT FILE

*A look at the statistics shaping the industry*

### PIZZA TOPS TAKE-HOME TRENDS

(percentage share)




Source: NPD Crest

NRN FINANCIAL DIGEST

## Karcher accountant acquitted

LOS ANGELES — A federal court jury has acquitted Carl Karcher Enterprises' accounting director, Alvin De Shano, of securities fraud and insider trading charges.

De Shano, cleared of using internal information to avoid a $7,107 stock loss, was one of 15 company officials and Karcher family members charged last year by the Securities and Exchange Commission. He was the only one to face criminal charges.

The SEC's civil suit against seven Karcher family members, including company chairman Carl Karcher, founder of the Carl's Jr. fast-food chain, was postponed. Karcher's lawyers said an out-of-court settlement of those charges is increasingly likely in the aftermath of De Shano's acquittal.

A deal calling for Karcher to pay a $332,000 fine collapsed last month when federal prosecutors refused to guarantee that criminal charges will not be filed against him before the statute of limitations expires in October.

Karcher's co-defendants would also have been required to pay $332,000, the amount they saved by selling company stock after Karcher allegedly tipped them in late 1984 that the Anaheim, Calif.-based firm would report a 50-percent earnings decline.

President Donald Karcher and five other family members settled with the SEC in February by paying $187,560. Carl Karcher's son, Carl Leo Karcher, was earlier fined $10,500.

## Winchell's names panel to mull sale

LA MIRADA, Calif. — WDH Services Inc., general partner of Winchell's Donut Houses L.P., said a special committee of Winchell's board has been formed to consider various methods of enhancing unit-holder value, including a possible sale of the partnership.

WDH Services said the committee had retained Montgomery Securities to assist it in its evaluation.

WDH Services is a wholly owned subsidiary of Denny's Inc., which owns 42 percent of the outstanding partnership interests.

## Skyline Chili boosts profits 4%

CINCINNATI — Skyline Chili Inc. said increased interest expense held net income to $105,000, a 4-percent gain, despite a 40-percent year-to-year rise in revenues, to $4.2 million, for the second quarter ended May 14.

The company said the added interest costs stemmed from the purchase of 10 stores from a franchise group in late 1988, while the higher revenues were the result of an increase in the number of restaurants in operation, increased sales generated by the new carry-out containers, and a wider distribution of the company's grocery products.

For the first half, Skyline Chili said profits improved 3 percent — to $301,000 — and revenues rose 32 percent, to $9.4 million.

The company operates and franchises a system of 82 Skyline Chili restaurants.

# FOCUS | OPINION

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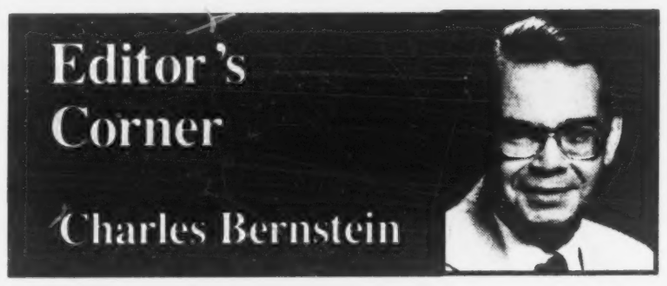
# Unicorp: A menace to Dunkin's dream

In an age of franchisee revolts, court battles and protests against franchisors, it is gratifying to see franchisees rallying to the defense of Dunkin' Donuts in resisting a takeover bid by George Mann's Toronto-based conglomerate, the Unicorp Canada Corp.

Mann, who has increased his Dunkin' stock ownership to 12 percent through his newly created Kingsbridge Capital Group, has made his takeover intentions clear. If he wants to acquire a thriving chain, he could not do better than Dunkin', painstakingly built over the last 26 years by the toil and sweat of chairman-chief executive Robert Rosenberg and his franchisees.




With Coniston Partners, a New York investment firm, finally set to acquire TW Services (Denny's, Winchell's Donuts, El Pollo Loco, Spartan Foods, Canteen Corp.), the dangers of conglomerate takeovers are spotlighted more than ever before.

The Dunkin' situation is almost the opposite of the one last fall in which Grand Metropolitan of London took over Pillsbury and Burger King with the full support of the franchisees, who were disillusioned with the previous management.

Dunkin' franchisees are thrilled with their current management and have been for years. They would hate to see a conglomerate move in, threatening the security and steady growth that Dunkin' has enjoyed for years.

Rosenberg, who is feeling intense heat in the takeover battle, is pleased with the staunch support of his franchisees. He is particularly proud of a letter from franchisee Terry Markham, who wrote: "Tell the Canadians to bring lunch. This is going to be a long fight."

Markham has supported this by digging into his retirement fund and purchasing 1,200 Dunkin' shares. So have other franchisees who believe in the Dunkin' dream that long hours and dedication bring their own rewards. An overwhelming pride prevails throughout this almost entirely franchised 1,450-unit, $850 million-volume chain.

The Dunkin' Franchisee Council has vowed maximum support to its current ownership and maximum opposition to any acquisition effort.

We are convinced that a takeover of Dunkin' by Unicorp or any other company would be a travesty. Here is an independent chain that is doing just fine on its own, pleasing customers and providing jobs to a wide diversity of people, including numerous families and immigrants from Greece, Portugal, India, and the Far East.

A newly arrived Portuguese immigrant asked last fall for a franchise and a chance to get started. Rosenberg gave him that opportunity in Roslindale, Mass., and the man is already thriving. "I love what Bob Rosenberg stands for," he says. "So do many of the other franchisees." No wonder they are willing to work long hours individually and literally as families.

We don't need a Coniston, a Metro Media (owner of Ponderosa) or any other conglomerate coming in and ruining another chain — particularly not Dunkin' Donuts.

Exactly what Unicorp Canada, which owns a number of oil and gas companies, knows about the food-service business is a mystery. Nor does it seem to care. What Unicorp does seem to know is that Dunkin' shows handsome profits, is an attractive investment, and has great appeal in the marketplace. But its outstanding results hinge largely on the entrepreneurial spirit and tender care of Rosenberg.

Rosenberg essentially inherited Dunkin' from his father, founder William Rosenberg, who was Nation's Restaurant News' 1988 Multi-Unit Pioneer of the Year. Bob Rosenberg worked hard to learn the business as a night cook and at many other basic jobs in the restaurants during his youth.

After graduating from Cornell University's School of Hotel Administration and the Harvard Business School, he succeeded his father as chief executive in 1963. Over the years he creatively built doughnut leadership by fashioning mini-meals with soup and croissant sandwiches gradually added. Dunkin' has captured a dominant 20 percent share of the $4 billion doughnut food-service market in the United States.

Average per-unit sales are an exceptional $450,000 on a low initial investment cost. But some of the newer units are doing more than $1 million and as much as $1.5 million in the higher-traffic markets. Rosenberg has also launched kiosks in urban areas to sell donuts at other food-service units. And as a diversification that some experts question, he has launched Chili's franchised units in New England.

Unfortunately, Rosenberg and his executives are by necessity forced to spend the bulk of their time and effort trying to fend off this takeover bid or any other such bid that now may arise. This enforced diversion of effort is counter-productive and deplorable.

Dunkin' Donuts has revised its poison pill plan so that 40 percent of the stock could be under friendly ownership. But it is the other 60 percent that is worrisome as Unicorp pursues its takeover effort and perhaps opens the way for Dunkin' to become a takeover target of other corporations.

Bob Rosenberg and his father are completely dedicated to their chain and haven't the slightest intention of selling. We even doubt that they are looking for a white knight to bail them out.

Dunkin' is one of the last of the strong independent chains that have not been sucked up by a corporation. It should remain that way.

## LETTERS

### *Let's get facts straight on solid-waste disposal*

Editor, NRN:

This letter is in response to Barbara Mueller's May 15 letter to the Editor.

I, too, am involved in the restaurant industry. I am also directly involved in environmental protection, serving on an advisory board to the Orange County commissioners.

Sensible people should take sensible action to protect the quality of the environment in which we all live. As environmental issues arise that could lead to regulative measures via legislation, it's also sensible to separate emotions from facts *before* taking action.

Mueller states in her letter, "It's a fact that fast-food packaging is one of the major causes of America's huge garbage problem."

That statement is not a "fact" but rather is misinformation, which is all too often conveyed by well-meaning people who simply want the solid-waste problem resolved.

The real fact is that fast-food packaging amounts to less than 1 percent of total municipal solid waste. Statistics are readily available by contacting the U.S. Environmental Protection Agency.

A big problem we must overcome is that of letting misinformation confuse the real issue at hand: our need for improved solid-waste management.

Unfortunately, the solid-waste problem America is experiencing won't just "go away" with the banning of food-service disposables. The problem is a much bigger one, so it makes little sense to aim legislation at an albeit visible but minor contributing factor.

Let's get our facts *straight* before we *legislate*!

— **James D. Murdock**
Orlando, Fla.

### *Learning food service: A field with many faces*

Editor, NRN:

I am writing in reference to your Editor's Corner, "Educational funk: Management schools."

I'd like to say that I believe many people are realizing the two-year associate degree programs are often the programs on the cutting edge. About four years ago we at Metro Community College decided the hotel field was just a segment of the total industry; furthermore, the majority of our graduates were going into other areas of food service.

We conducted a survey of the potential and actual job sites and found that we needed to revise our curriculum extensively. We dropped the "Hotel" out of our name and a year later dropped the "Restaurant" in order to properly name our program "Foodservice Technologies."

This habit of including Hotels, as you allude to, goes back to the days when the only good food was prepared in hotels and hotels and restaurants were synonymous. Obviously, it is not that way at the present.

Food service is a field in its own right; our graduates just happen to work in hotels, colleges, restaurants, hospitals, fast food, and on and on.

— **Jim Trebbien**
*program representative/instructor*
Metro Community College
Omaha, Neb.

C5150-5

BAR MANAGEMENT

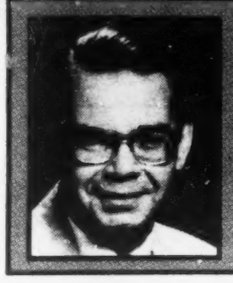
Summer beer quench thirst

See Section Two

FOCUS

Focus section follows page 24

OPINION



Operators: Act now on garbage crisis

See Charles Bernstein/F3

NEWSPAPER

SECOND CLASS

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# Nation's Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

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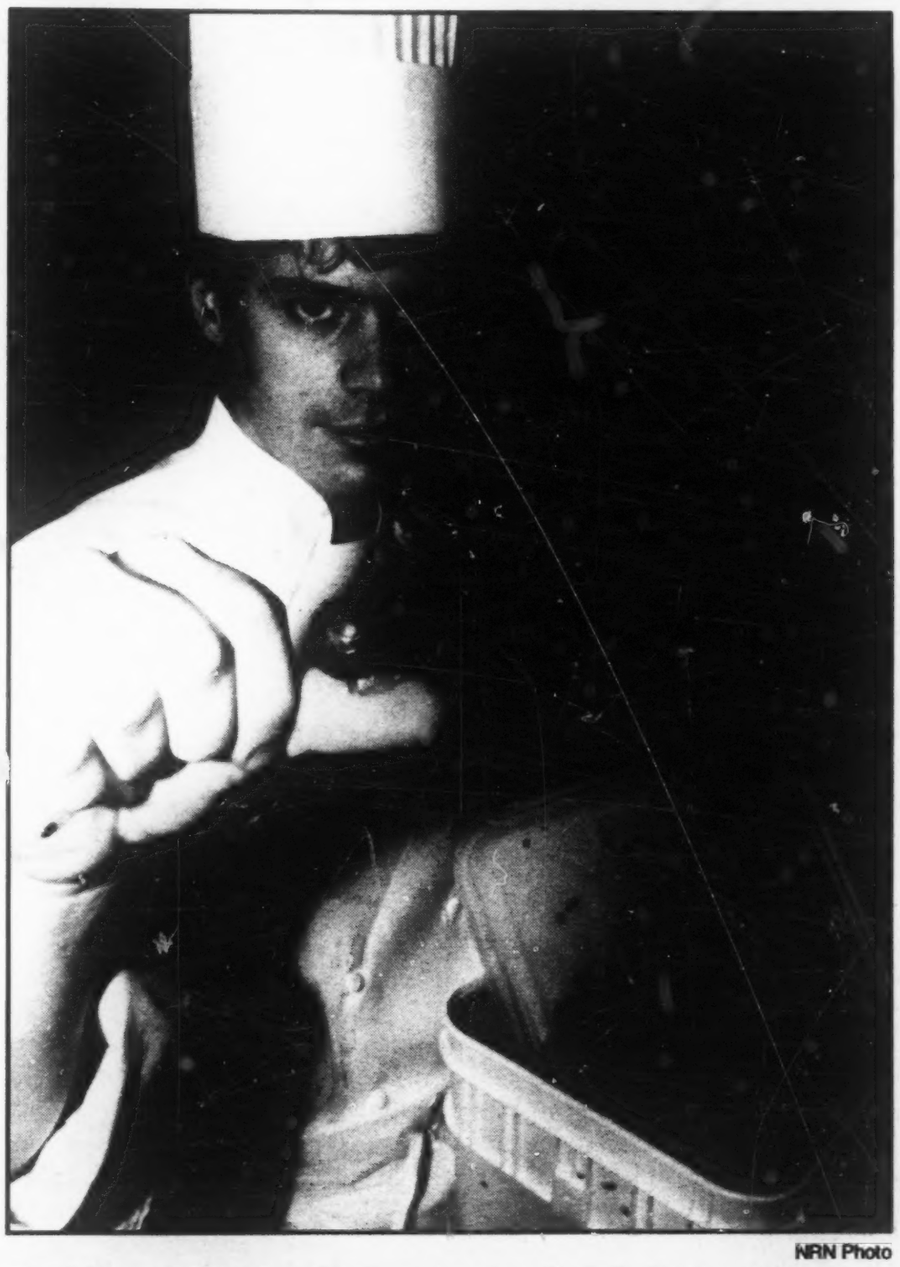

NRN Photo

Coohill with live snails for dish developed at The Abbey.

## Sharpshooter Coohill rides into City Grill

By Jack Hayes

ATLANTA — Peasant Restaurants Inc., in its resolve to operate one of the nation's most prestigious luxury dining establishments, is planting a culinary sharpshooter in the kitchen of the 6-month-old City Grill here.

The hiring of 25-year-old Tom Coohill — who quickly became one of Atlanta's most sought-after culinary stars after sweeping four medals, including a U.S. Chefs Open Grand Award while he was executive chef at The Abbey here — marks a gain for Peasant Restaurants.

And it marks a loss for The Abbey, which had grabbed

*(See **COOHILL**, page 57)*

# Bush strikes down hourly wage hike

## *Democrats vow to try again*

By Ken Rankin

WASHINGTON — Frustrated by President Bush's veto of the $4.55 minimum-wage bill, congressional Democrats are already hatching plans for a new "veto-proof" bill.

Sen. Edward Kennedy, D-Mass., for one, has vowed that his Senate Labor Committee would begin writing the new minimum-wage legislation as soon as Congress returns from its July 4 recess early next month.

Although the final terms of the Democrats' "compromise" measure may not be known for several weeks, one approach under discussion now on Capitol Hill involves raising the current $3.35 hourly minimum to $4.25 over two years. Although that would satisfy the president's insistence on a $4.25 cap on the wage floor, congressional Democrats are not likely to accept his demand for a sub-minimum "training wage" for all newly hired employees.

The bill that the president

*(See **BUSH**, page 57)*

## Cara enters ring in Dunkin' fight

### *Contract feeder backs Mann*

By Peter Romeo

RANDOLPH, Mass. — Toronto businessman George Mann is pressing his pursuit of Dunkin' Donuts by teaming up with Cara Operations, a Canadian food-service power, to tender a sweetened purchase offer of $43 per share.

Cara, a contract feeder and airport concessionaire, will operate Dunkin's 1,455-unit doughnut chain if the $278 million cash bid is accepted, according to a spokesman for Mann's Kingsbridge Capital investment unit. Dunkin's nine franchised Chili's restaurants would be sold, the spokesman told Dow Jones News Service.

The enlistment of an experienced food-service operator could temper Dunkin's franchisees' opposition to an acquisition. The licensees' National Advisory Council, professing steadfast loyalty to Dunkin's seasoned management, has pledged to support the company in a takeover fight. Some of the operators have reportedly been buying Dunkin' shares to put more voting power in friendly hands.

"It's a very risky bid because the takeover of any

*(See **DUNKIN'**, page 57)*

FOOD WATCH

## *Something fishy*

SAN FRANCISCO — Fred Halpert, Portman Grill executive chef, sampled a dozen different bouillabaisses along France's Mediterranean coast before creating his own version of the classic Provençal fish soup.

He finally chose a simple but hearty dish to anchor his "Esprit de Provence" menu.

He uses a stock prepared the day before from olive oil, saffron threads, tomatoes, onions, garlic, fennel, parsley, white wine, water, fish heads and bones, and sea salt.

The standard version, priced at $19.95, is made with sliced potatoes, mussels, and three different varieties of fresh fish air-freighted from France. They include monkfish, John dory, and rascasse. A premium version made with Maine lobster goes for $27.95.

Halpert cooks to order 15 to 20 portions of bouillabaisse daily.

Accompanying the bouillabaisse are rouille, a saffron-red-pepper-and-garlic-infused mayonnaise, and aïoli, a garlic mayonnaise. Both condiments can be dropped directly into the soup or spread on a crouton.

— Alan Liddle

## LA probe urges stepped-up health checks

By Richard Martin

LOS ANGELES — A grand jury probe into routine health inspections of the county's 20,000 restaurants has revealed a wide and purportedly health-threatening gap between state standards and local inspection levels.

The adoption of quicker, more food-focused inspection techniques and the creation of career incentives for the health department's chronically short-handed field staff were among the panel's main recommendations for boosting the annual number of sanitation checks from last year's average of 1.6 per restaurant to the state goal of four a year.

"We are potentially in danger of a [health] crisis developing if this kind of standard remains," grand jury foreman Robert D. Leland said.

The grand jury's report also urged the adoption of a proposed county ordinance that would require a food certification program for restaurant managers. It went on to suggest that once inspection-frequency goals are met, the health department should consider the countywide implementation of an "A-B-C" restaurant-grading system, modeled after one in San Die-

*(See **LA**, page 57)*

NRN HALL OF FAME WINNERS TO LEAD MUFSO SEMINAR — PAGE 7

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**Health/Sanitation . . . . . July 17**

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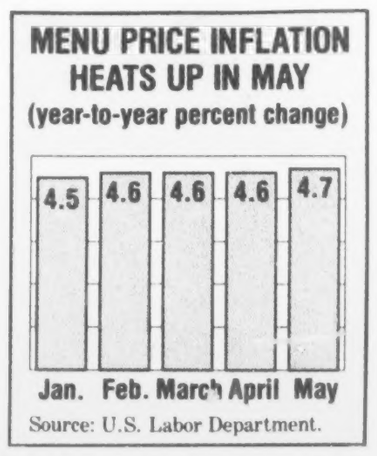
Vol. 23, No. 26 June 26, 1989

# NEWS DIGEST

## Menu inflation accelerates after upswing in food costs

WASHINGTON — Menu-price inflation advanced to 4.7 percent in May after a three-month pause at 4.6 percent, according to the U.S. Labor Department's Consumer Price Index.




The menu-price hikes reflect a rise in the inflation rate for wholesale food prices, to 7.1 percent in May from 6.8 percent in April.

Despite the increase in menu prices, sales at the nation's eating and drinking places hobbled along at 3.8 percent in May for the second straight month.

Supermarket price increases continued to outstrip price hikes both at the nation's eating places and at producer levels: Prices for food consumed at home rose a blistering 8.1 percent in May from a lofty 7.8 percent rate in April.

## Feds seek restaurant data in labor racketeering probe

NEW YORK — Federal agents said they have subpoened the labor contracts and payrolls of six restaurants here as part of a grand-jury probe of labor racketeering.

The subpoenas were served on Windows on the World, the Four Seasons, the Old Homestead, Savories, the American Festival Cafe, and the Sea Grill.

Also subpoened were the rosters, collective-bargaining agreements, and dues receipt records of Local 6 of the Hotel and Restaurant Employees International Union.

## Calif. requires cancer alerts to be posted beginning July 1

SACRAMENTO, Calif.— Starting July 1, restaurants serving alcoholic beverages in California must post notices warning customers that consumption of those products may increase the risk of cancer.

A fine of $2,500 can be levied for each violation of the requirement, a provision of the state's Safe Drinking Water and Toxic Enforcement Act, better known as Proposition 65. The new sign must appear along with one that was implemented last year, warning about links between alcohol and birth defects.

Manufacturers of alcoholic beverages will provide the new notices, according to the California Restaurant Association.

## Hilton discloses plans to weigh value boosters

BEVERLY HILLS, Calif. — Following weeks of speculation that a sale of Hilton Hotels Corp. was imminent, the lodging chain said it would retain a financial adviser to assess ways of boosting "shareholder value."

An often-cited means is the divestiture of assets or the sale of an entire company.

What's more, Hilton chairman and major shareholder Barron Hilton said he would consider a purchase bid if one were presented.

## Sky Chefs agrees to buy two kitchens from Dobbs

ARLINGTON Texas — Sky Chefs, a major airline feeder here, has entered into an agreement to acquire two in-flight catering kitchens from Memphis, Tenn.-based Dobbs International Inc.

The agreement calls for Sky Chefs to purchase one of Dobbs' two facilities at Dallas/Ft. Worth International Airport and Dobbs' in-flight kitchen at Hopkins International Airport in Cleveland.

Terms of the agreement were not disclosed.

A Dobbs International spokesman said the company sold the locations because of insufficient volume.

## Jack in the Box adds Sourdough Burger

SAN DIEGO — Foodmaker Inc.'s 970-unit Jack in the Box chain has rolled out a Grilled Sourdough Burger, bringing its string of new products to nearly 30 since 1980.

The sandwich, sold for $2.55 in all company-owned outlets, comprises a quarter-pound beef patty, two slices of processed Swiss cheese, two slices of tomato, four half slices of bacon, and a mayonnaise-onion sauce on grilled sourdough bread.

Mo Iqbal, executive marketing vice president of Jack in the Box, said the sandwich would appeal to customers who are bored with traditional hamburger buns.

## New York state issues new smoking regulations

ALBANY, N.Y. — After more than a decade of sometimes fierce debate, legislators here have agreed on new statewide smoking regulations that will require restaurants with 50 or more seats to reserve at least 70 percent of their tables for non-smokers.

Under the compromise proposal hammered out in the senate, the statewide restriction will not supersede local smoking rules. For instance, the multitude of restaurants in New York City will still be required to ban smoking in only half of their dining rooms.

Ten other states have already passed smoking restrictions. Two years ago New York's Public Health Council implemented its own statewide smoking rules, but a court struck down the regulations, ruling that the watchdog agency did not have the authority to impose such a measure.

## Donatello loses gm, chef to entrepreneurial spirit

SAN FRANCISCO — Giancarlo Paterlini, general manager of Donatello restaurant and hotel, and Suzette Gresham, the renowned facility's chef, said they are leaving to start their own business next month.

Paterlini said he and Gresham are opening a 40-seat, moderately priced Italian restaurant called Acquerello, which means "watercolor" in Italian. He said the place would be located at the former site of Zola's, a French restaurant that is moving to larger quarters.

The general manager of Donatello since it opened in 1980, Paterlini was instrumental in developing the award-winning northern Italian restaurant.

## Treasury official offers advice on renewing TJTC

WASHINGTON — With the Targeted Jobs Tax Credit set to expire on Dec. 31, a Treasury Department official has advised Congress to enhance the chances of extending the program by narrowing its scope.

Under the proposals, only restaurateurs in high unemployment areas would qualify for a TJTC, which grants a tax break to operators who hire persons with disabilities. In addition, a voucher system would be adapted to guarantee that the credit would be awarded only when truly hard-to-employ persons are given jobs.

The advice from Thomas Neubig, director of the Treasury Department's division of tax analysis, signals a possible softening of the Bush administration's resistance to extending the TJTC. The administration has said it opposes a renewal of the plan because of a pressing need to boost tax revenues.

## Helmsley excused from trial because of mental frailties

NEW YORK — Hotel magnate Harry Helmsley, 80, has been excused indefinitely from standing trial for tax evasion because of his faltering health.

However, legal proceedings against Helmsley's wife, Leona, and two key employees, Frank Turco and Joseph Licari, are set to begin as planned on June 26.

FINANCIAL NEWS

# Restaurant and bar sales increase 3.8% for May

WASHINGTON — Sales at the nation's eating and drinking places grew at a 3.8 percent rate in May, unchanged from the April rate, according to the U.S. Census Bureau.

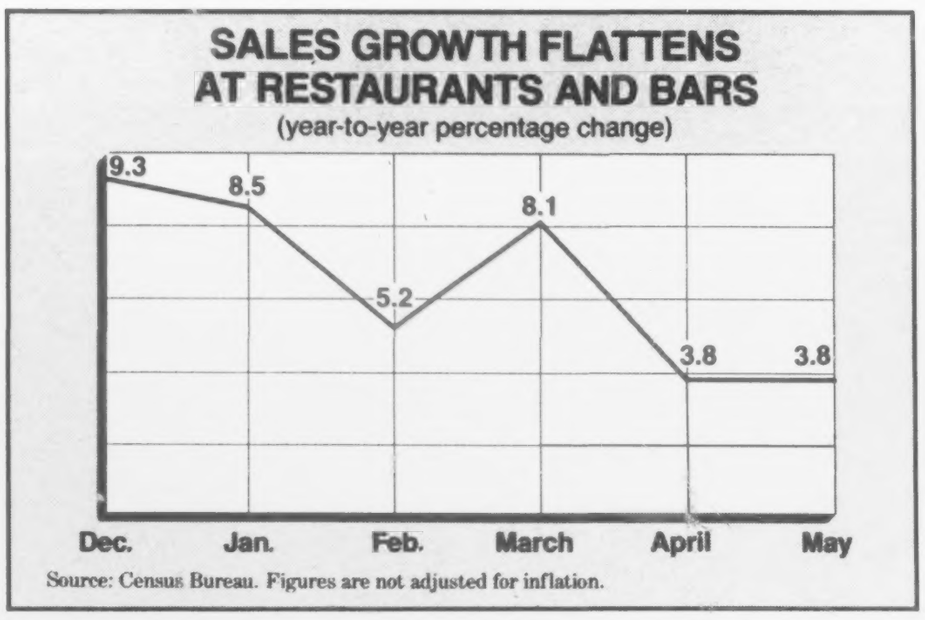
With menu-price hikes running at about 5 percent year-to-date, the small May increase suggests traffic counts fell for many food-service operators.

Analyst Caroline Levy of Shearson Lehman Hutton said the toll was especially heavy in the fast-food segment, where comparisons were hard and competition fierce.

"Everyone was discounting frantically," Levy said. "McDonald's had a very, very weak May."

According to Levy, McDonald's real sales were down by 5 percent to 7 percent last month. Sales at Kentucky Fried Chicken, Collins Foods International, and Wendy's were also off, she said.

"But I'm still hearing good numbers from some of the regional and midscale chains," she said.




# Cooker's IPO nets $12.2 million

By Rajan Chaudhry

COLUMBUS, Ohio — Cooker Restaurant Corp., which operates nine Cooker Bar and Grille restaurants in three states, has filed a plan for an initial public offering of 4 million common shares at $4.50 each.

Cooker plans to use proceeds from the sale — about $12.2 million — to retire $7.8 million of bank debt. The balance would go toward funding further expansion.

Cookers are full-service, midscale restaurants featuring American regional cuisine and averaging annual sales of $3.2 million per unit.

Entrées range from $4.95 to $10.95, with most falling between $6.25 and $7.95. Per-person checks average $8.50.

Although Cooker filed with the Securities and Exchange Commission for an offering of 4 million shares, the company itself issued 3 million, said chief financial officer Bill Esch, and company chairman Arthur Seelbinder sold the remaining 1 million. Seelbinder retains about 2 million shares.

**Cooker Bar and Grille**
Columbus, Ohio
**Founded:** 1986
**Number of units:** nine
**1988 sales:** $21.1 million
**Average per-store sales:** $3.2 million a year
**Per-person average check:** $8.50
**Officers:** Chairman Arthur Seelbinder; president Phil Hickey Jr.; chief financial officer Bill Esch

The offering brings the number of Cooker's common shares outstanding to 10.5 million.

The company began the year with eight restaurants and plans to have 11 in operation by year's end.

"We plan to continue to grow at that type of a rate," Esch said.

Cooker operates four restaurants in Nashville, Tenn.; one in Memphis, Tenn.; two here; one in Cleveland; and one in Indianapolis. In 1989 the company will open another restaurant here and one in Detroit, Esch said.

In 1988 Cooker posted annual sales of $21.1 million, up 69 percent over 1987 sales. Net income was $542,000 vs. a loss of $248,000 in the prior year.

Cooker was formed in 1986. In addition to Seelbinder and Esch, Cooker's management includes president Phil Hickey Jr., who spent eight years with Gilbert/Robinson Inc.

Before the IPO and its listing on NASDAQ, Cooker shares were traded on an intrastate basis: Only residents of Ohio could buy the shares.

Cooker restaurants average 7,800 square feet with 230 seats, including a bar that accounts for 14 percent of sales.

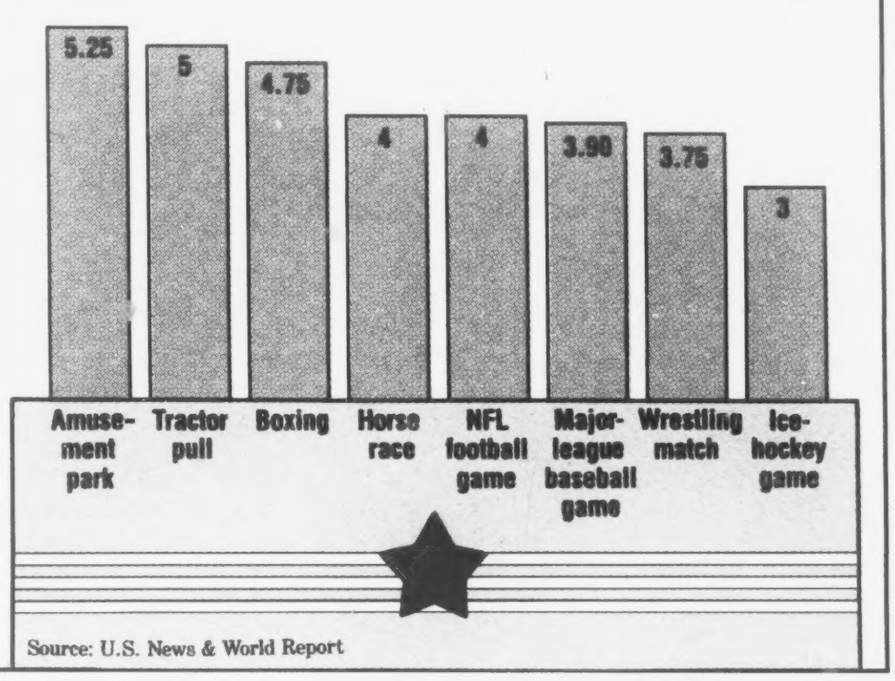
The restaurants' 60-item menu highlights traditional fare, like meat loaf, pot roast, lasagna, soups, and salads.

FACT FILE

*A look at the statistics shaping the industry*

## A DAY AT THE FARE

Money spent on concessions (in dollars)




FOOD PRICE OUTLOOK

## *Cool weather slows lettuce growth*

In mid-June the unseasonably cool weather that had plagued the California Central Coast area began to lift. For nearly two weeks, cool, overcast weather slowed **lettuce** growth and reduced available supplies as demand continued unabated. At presstime iceberg lettuce prices were expected to moderate as production stepped up again. Wade Whitfield of the California Iceberg Lettuce Commission pointed out that when normal temperatures follow a cold spell, fields all tend to come into production at the same time, creating an oversupply and low prices.

At the same time **California broccoli** was down well below the break-even point for growers. Freezers were coming into the market at the low pricing, so this year's frozen production may be up over last year's. The carryover from last year was well down from normal. Expect prices to be stable to lower.

Slackening of demand for **frozen cod** has left the price stable, despite the slowdown in imports. **Frozen flounder,** both fillets and blocks and slabs, was holding its high price under moderate to strong demand. **Ocean perch,** to which a number of fast feeders have switched because of tight cod supplies, has remained stable in price in both block and fillet form.

The effect of the Alaska oil spill in Prince William Sound is just beginning to be felt. It hit **herring** fishing hard and also closed down fishing for **Dungeness crab** and **bottom fish.** On the other hand, **halibut** and **salmon** fishing is expected to start on a normal schedule. The sound is a major red and pink salmon fishery area.

Uncertainty about whether the United States will cut off **wheat** sales to China, combined with a somewhat better than anticipated harvest estimate for winter wheat has pushed prices down a bit on futures but not in the cash market. Late spring rains have bailed out some Midwest grain producers, but much of the damage was irreversible.

— **Patt Patterson**

NRN FINANCIAL DIGEST

## Circle K chairman taps LBO adviser

WASHINGTON — Karl Eller, chairman of Circle K Corp., said he has retained Sloate, Weisman, Murray & Co. to advise him in the possible acquisition of the Phoenix, Ariz.-based convenience-store company.

In a filing with the Securities and Exchange Commission, Eller revealed that he has entered into a one-year agreement with Sloate, Weisman.

Under the terms of the agreement, Sloate, Weisman will act as Eller's financial adviser in exchange for a fee of $2.5 million if he acquires Circle K during the term of the agreement. Eller has also agreed to give Sloate, Weisman an opportunity to purchase an equity interest in the company if he takes control and to place a representative of Sloate, Weisman on the board of the surviving company.

Late in May, Eller had advised the board of Circle K that he might attempt a leveraged buyout of the company.

## Luby's lifts net income 10.5 percent

SAN ANTONIO, Texas — Luby's Cafeterias Inc. said an increase in the number of restaurants in operation and a menu price hike of 6.5 percent boosted net income 10.5 percent, to $8.1 million, and sales 14 percent, to $75 million, for the third quarter ended May 31.

The company had 121 Luby's Cafeterias in operation at the end of the latest quarter vs. 110 in the same period a year ago, said John E. Curtis Jr., Luby's senior vice president and chief financial officer.

The price hike offset a 1.5-percent drop in customer counts that Curtis attributed to a soft May selling period, resistance to price hikes, and cannibalization by new stores.

For the May-ended nine months, Luby's posted an 8-percent year-over-year increase in net income, to $21.3 million, on a 12-percent sales gain, to $208 million.

## Karcher stock to split 2-for-1

ANAHEIM, Calif. — Carl Karcher Enterprises Inc., which operates the Carl's Jr. hamburger chain, declared a two-for-one stock split payable July 14 to shareholders of record June 22.

For the first quarter ended May 22, the cost of the company's repurchase and retirement of nearly 25 percent of its outstanding shares cut net income 15 percent, to $5.7 million, while revenues advanced 21 percent, to $148.9 million.

The repurchase was concluded in August.

## Marriott to buy United HealthServ

WASHINGTON — Marriott Corp., in a move to diversify its food-and-services management unit, said it had agreed to acquire United HealthServ Inc., a provider of housekeeping maintenance and laundry services.

Terms were not disclosed.

Newark, Del.-based United HealthServ has operations in 47 states and four Canadian provinces.

# FOCUS | OPINION

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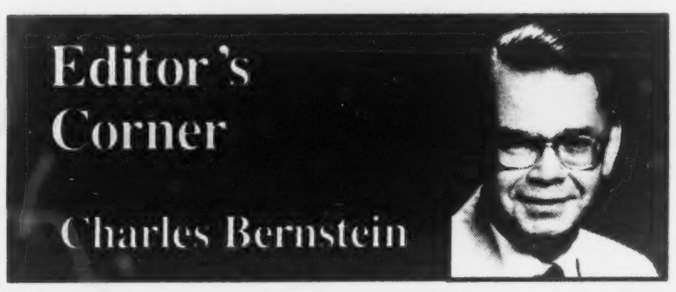
# *Garbage crisis: Operators must act now*

A huge garbage study sponsored by the National Restaurant Association earlier this year showed that of extensive samples which a leading archeologist sorted in municipal landfills, only 0.2 percent represented fast-food wrappers, paper, plastic, or foam. This would lead one to believe that the much-ballyhooed solid-waste disposal problem is a figment of someone's imagination as far as food-service operators and fast feeders are concerned.




The infinitesimal ratios prompted then-NRA president Jim L. Peterson to declare that "officials who think they can solve the solid-waste disposal crisis by penalizing fast feeders are wrong. The issue is far bigger than any one industry, and its resolution will involve a concerted effort by all elements of our society."

In theory, Peterson was absolutely correct.

However, in practice, both state and local governments are proceeding with recycling and fast-food-packaging legislation. The food-service industry is very much in the limelight and on the spot, regardless of all sorts of statistics that can be produced to maintain that the fault lies elsewhere.

The NRA's 1989-'90 president, Harris (Bud) Rusitzky, contends that "the media tends to focus disproportionate attention on the role of food service in solid waste" and that "we hope to change that public perception because the fact is that our industry contributes less than one-third of 1 percent of the waste to the solid-waste stream."

Perception becomes reality in this media age of images. Most consumers would agree with Milwaukee restaurateur Barbara Mueller's statement in this newspaper last month: "Fast-food packaging is one of the major causes of America's huge garbage problem."

Rather than debating the relative merits of who is or is not to blame, the industry needs to arm itself with a positive response by developing new packaging that will directly answer the problem rather than denying it.

The industry can learn from McDonald's and follow its example. McD has led the way by admitting the situation does exist, and it has shown a tremendous commitment to reduce the amount of waste.

Among other things, it has cut the weight of paper used to wrap its sandwiches, dropped flaps from the sandwich containers, changed to frozen-concentrate orange juice to curb the packaging, and improved the efficiency of its french-fries packaging to save more than 2 million pounds.

In fact, McD is probably saving as much as 80 million pounds of packaging annually on all its innovations. In addition, it has made its polystyrene and plastic packaging thinner. It also is going to great lengths for maximum garbage compaction at all possible sites.

We can argue that it simply isn't so, that fast-food packaging contributes only a tiny proportion of solid waste. Yet this does not convince consumers who see enough fast-food wrappers flying around to believe otherwise.

With many landfills approaching their full capacity, some communities won't allow any fast-food refuse at their landfills. States and communities are trying to reduce the amount of garbage by taxing food containers and banning all disposable packaging. Indeed, recycling and packaging laws are the order of the day.

Iowa has passed a law requiring the recycling of one-fourth of all plastic products by 1992 and one-half by 1993. A proposed Illinois bill would ban polystyrene or polyvinyl containers, while a projected Wisconsin bill would eventually ban polystyrene foam plastic.

Meanwhile, test recycling programs are being tried in Wisconsin, with positive incentives being eyed to encourage restaurateurs and other businesses.

Actually, states and cities from coast to coast are jumping into solid-waste and environmental legislation. Pending bills in Minneapolis and St. Paul would severely restrict plastic packaging by enacting special taxes whose revenues would go toward recycling. New York City is preparing to mandate the recycling of wastes, and Berkeley, Calif., and Suffolk County, N.Y., have barred the use of polystyrene plastic for packaging.

But restaurateurs can seize the initiative to show they are serious about cleaning up the environment.

Paper can be recycled for all sorts of purposes, including cash receipts, place mats, and order pads. The use of unbleached coffee filters and biodegradable trash bags may cost a little more, but it is a price restaurateurs must be willing to pay.

As Rusitzky asserts, "If our industry does not involve itself in solving this crisis, we will pay the penalty in restrictive legislation and higher collection fees."

It is imperative that operators find the solutions at any cost and implement them to avoid further government crackdowns. Operators must fulfill their responsibilities for improving the environment and fostering customer goodwill.

## *LETTERS*

### *Food-service industry: Stop passing the buck*

Editor, NRN:

I am writing to express my feelings on your May 15 page 1 article dealing with the minimum-wage issue.

I feel that some negative attitudes were presented in the article relating to food-service employees. One or two people felt that their employees did not deserve raises and that they did not know what was going on around them.

I stop and tell myself, 'Whose fault is it that the employees do not now what they are supposed to be doing? It is *your* fault.'

As a senior majoring in hotel-restaurant management, I feel that the buck is sometimes passed off on the innocent employee. I am not being naive about the situation at all.

I am fortunate to see food-service issues from the standpoint of an employee in the industry and an HRM student.

The problems facing the food-service industry will never be solved until we all join together to find the solutions.

**— Donald L. McClelland**
*student*
Virginia State University
Petersburg, Va.

### *Taste of the Nation gala a fun success in Boston*

Editor, NRN:

Thanks for all the coverage of the Taste of the Nation. The Boston function was not only a success but quite a lot of fun, too!

**— Ross Cameron**
*executive chef*
Cornucopia
Boston

### *Bob Luckey's memory deserves to live on*

Editor, NRN:

My husband, the late Bob Luckey, loved the food-service industry. His restaurants were his children, and he was always looking out for the little guy down at the bottom, trying to reach the top, as Bob did.

Some time has gone by since we lost Bob, but I would like his memory to live on and not be forgotten in the food-service industry.

Would it be possible to start a scholarship or reward to a worthwhile person who, each year, has achieved and progressed to a great level? The award would be presented in honor of Robert Kenneth Luckey, 1938-88.

Any suggestions or thoughts would be deeply appreciated.

We miss him so much. Thank you again for the wonderful and sensitive article you wrote about Bob in Nation's Restaurant News.

**— Rose Marie Luckey**
Cary, N.C.

### *Entrepreneurs: Thanks for inclusion on roster*

Editor, NRN:

I just wanted to say thanks for your mention of my brother, Richard, and me in your Editor's Corner column, "Group approach: Entrepreneur still crucial."

As always, it was an exceedingly well-done article, and we were most pleased that you chose to add us to your roster of entrepreneurs. I'm certain that it shall help us in our acquisition efforts.

We have been looking at a number of interesting companies but are going for quality and will take our time to find the right deal.

Thanks again and best wishes to you.

**— Steven H. Buckley**
Stevric Equity Ventures Inc.
Mineola, N.Y.

# TRENDS

## Cava imports surpass French bubblies in '88

Spanish producers toasted themselves royally in 1988 as they passed France for the first time as the leading supplier of sparkling wine to America. We took in 1,128,300 cases of Spanish Cava last year, compared with 1,006,500 cases of French sparklers of all types.

## States to toughen laws to cut DWI fatalities

California is considering a measure to lower the allowable blood alcohol level for driving to .08 percent from .10 percent, thus joining six other states in moving toward a lower alcohol-level limit. The .10-percent boundary is standard in 40 states and the District of Columbia. Two states have higher limitations, three have lower, and five have none at all.

Researchers say the number of alcohol-related traffic deaths has leveled off to about 24,000 annually after a sharp decline in the first half of the decade. Advocates of tougher restrictions are pushing for the lower alcohol-level standards and for the revocation of drunken drivers' licenses to combat drunken driving.

## Hotels and states battle over use of minibars

Several states, including New York, Texas, and Massachusetts, are studying legislation allowing minibars in hotel rooms. They're prohibited in those three states on the grounds that minors can get at the goodies and the bars are open 24 hours a day.

More and more hotels want to install the profitable dispensers and claim that keys go only to adults and that the minibars can be shut down after hours electronically. Hotel representatives also argue that people should be able to do what they want to do in the privacy of their own rooms.

## Scotch producers form Keepers of the Quaich

Taking a tip from the French, who have formed honorary societies for just about every type of wine made, Scotch producers and marketers have created a society called Keepers of the Quaich. Members of the group, which will promote the whiskey's special image, must have at least five years' association with the industry.

The second induction will be held next month at Blair Castle in Scotland. Expectations are that the society will rapidly expand to the U.S. as it seeks to boost sales of a beverage that ranks with the U.K.'s top five exports in terms of value, bringing nearly $2 billion to the Brtish economy in 1987. Quaich means "cup," and members receive an engraved silver drinking cup.

## Seagram trims line, focuses on premium

Twenty-five familiar labels will disappear or find new homes in a cutback at Seagram. The company says it is divesting certain non-premium spirits to concentrate on more profitable nationally distributed brands.

Among the group are Crown Russe, Nikolai vodka, Burnett's White Satin, and Harewood Canadian whiskey. Production and sales of Lochran Ora liqueur, Myer's white and gold rums, and Seagram's Imported vodkas will cease.

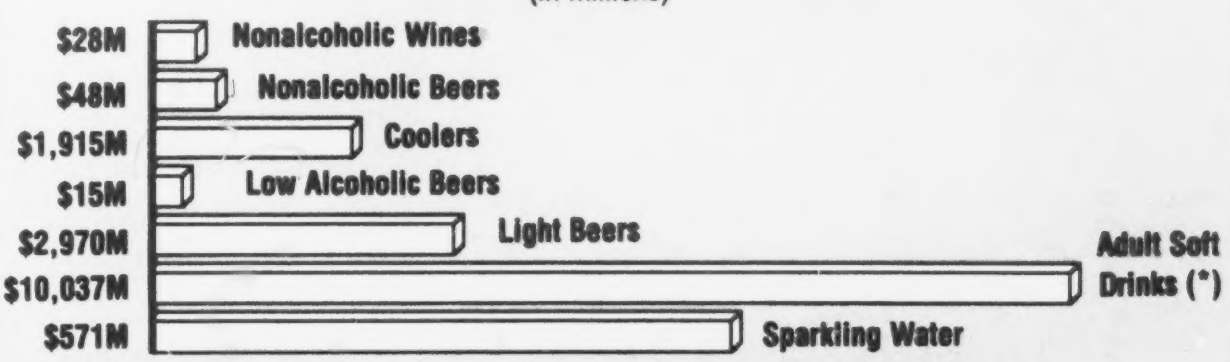
## We'll double consumption of bottled water by 1992

Low-alcohol and alcohol-free drinks aimed at adults will add up to an $18.4 billion market at wholesale prices by 1992, according to a study by the Frost & Sullivan market research firm.

Bottled water is the fastest-growing segment of the beverage industry. The study showed that in 1987 Americans consumed 6.2 gallons of bottled water per capita, and it projected that the figure would jump to 12.4 gallons by 1992.

The study also revealed an adult soft-drink market of $10 billion in 1988, forecast to reach $11.7 billion by 1992. Light beers, described by Frost & Sullivan as "the most significant and fastest- growing element of the beer industry," will rise to $3.3 billion by 1992.

**LOW ALCOHOLIC & NON-ALCOHOLIC BEVERAGES MARKET IN THE U.S. — 1988**
(in millions)




**(*) Includes natural sodas, sweetened seltzers, and juice-added drinks.**
Source: Frost & Sullivan Inc.

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**FOCUS**

***Fast feeders ask: Cash or charge?***

Focus section follows page 26

**PURCHASING**

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Patt Patterson/Page 71

**OPINION**

***Independents toil under huge pressures***

Charles Bernstein/Page F3

NEWSPAPER

SECOND CLASS


# Nation's Restaurant News®

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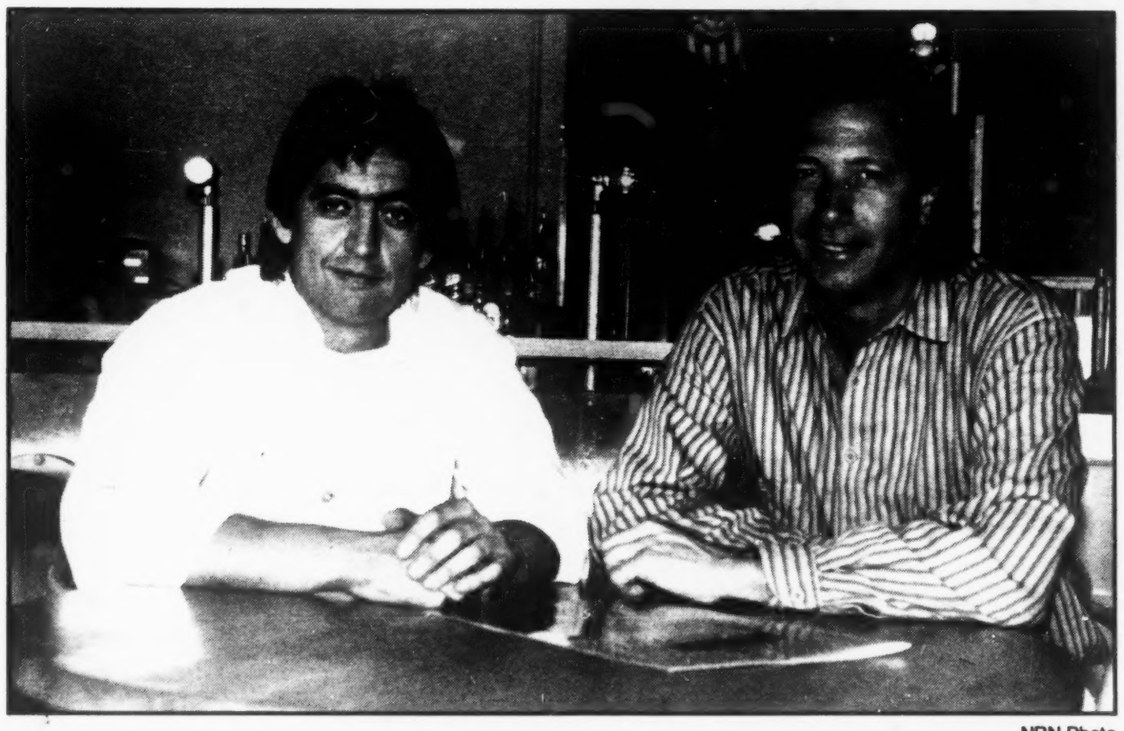


NRN Photo

Chef Gonzalo Figueroa, left, and Dan Rudolph, a co-owner, seated in Pipeline.

## NY partners await gusher from Pipeline

By Rick Telberg

NEW YORK — The team that developed the hip and funky Lox Around the Clock in a deserted midtown industrial district four years ago has gone downtown to the usually stiff financial district to open Pipeline, a tongue-in-cheek re-creation of an oil refinery.

"We wanted to give Wall Street people a non-Wall Street type of place," said Dan Rudolph, a practicing dentist who handles the business end of the partnership, while Larry Panish manages the operations.

The restaurant, designed by Sam Lopata, who also did Lox, is getting noticed for its zany architecture. Pipeline features exposed and brightly painted pipes, an epoxy-coated floor,

*(See **PIPELINE**, page 83)*

## Workers comp tops Texas show agenda

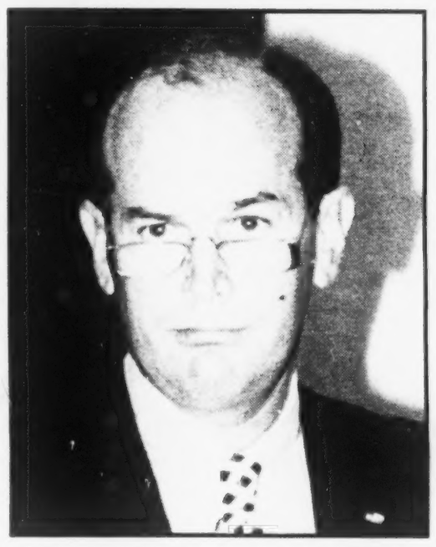
### *Reform battle clouds mood at confab*

By Tracey Taylor Woodard

HOUSTON — Just as Texas restaurateurs begin to see the light at the end of their economic tunnel, trouble is brewing on another front — a state legislature sharply divided on workers' compensation reforms.

More than 20,000 people gathered here for the Texas Restaurant Association's annual convention were elated over the news that Lone Star State food-service sales had risen for the first time in two years. However, the operators' celebrations were short, as they fretted about a special legislative session dealing with workers' compensation reforms that began during the show.

Along those lines, seven food-service associations announced they had banded together to fight against legislation that could cost their members millions.



Larry Durrett

Although hundreds of changes have been proposed, the most hotly debated topic is the status of the state's 75-year-old no-fault insurance system and the role of court trials in deciding claims.

The new coalition is siding squarely with the Texas House of Representatives, which says that insurance companies should pay more and for a longer time, and that Industrial Accident Board decisions should be final.

The Senate, backed by the Texas Trial Lawyers Association, wants to retain jury trials to decide awards for injured workers.

Although lawmakers wrestled with reform legislation in the regular session of the 71st legislature, which ended in late May, they failed to pass a bill out of a conference committee. Texas Gov. Bill Clements then called

*(See **REFORM**, page 83)*

## Atlanta crowds mob Underground complex

By Jack Hayes

ATLANTA — Like poker players splitting up the biggest pot of the night, operators who had placed their bets on Underground Atlanta are going home ecstatic winners, thumbing their noses at the critics, who told them downtown Atlanta wasn't worth the gamble.

The $142 million Rouse Co. festival-marketplace development — financed almost entirely with public dollars from taxes, grants, and a bond referendum — drew more than a million visitors in four days, jamming bars and restaurants to the breaking point.

While nobody guarantees the record crowds will still be here six months from now, the operators and most of the city remain euphoric for the moment.

Even the Underground project's most vigorous promoters, including Atlanta's mayor, Andrew Young, hadn't predicted such a level of response from the public, which is setting ridership records on the city's mass transit rail system.

"It's been unbelievable," said Steve Nygren, the president of Peasant Restaurants Inc., which struggled with three-hour waits at its 300-seat operation called Buck's.

"In my 11 years at the old Underground, I had never

*(See **ATLANTA**, page 4)*

**FOOD WATCH**

### *Life, liberty, and pursuit of food!*

**WILMETTE, Ill. — Melange Restaurant saluted America over the pre-July 4th weekend with a fixed-price culinary tour of the nat...**

**Tortilla soup from the Southwest led the repast, followed by a spicy minced chicken fettuccine from the West Coast. A Nantucket Bay scallop salad with vegetables and hazelnut vinaigrette preceded a Midwest meat course of roast fillet of beef with lemon butter and fried red onion rings. Southern pecan chocolate torte with bourbon sabayon concluded the feast, priced at $42.50 with wines.**

**— Carolyn Walkup**

## Wendy's, Karcher battle in court

### *Chains at odds over franchise dispute*

By Rajan Chaudhry

TUCSON, Ariz. — Wendy's International Inc. is dragging Carl Karcher Enterprises Inc. kicking and screaming into U.S. District Court here over Karcher's purchase of 10 Wendy's franchises in Arizona for conversion to Carl's Jr. units.

Wendy's suit seeks compensatory, consequential, and punitive damages plus attorneys' fees to the tune of $119 million — $79 million from Karcher and $40 million from franchisee Ronald Brown. The suit accuses Karcher of intentional interference with Wendy's contractual and business relationships with Brown and his company, Wendy's of Tucson.

Karcher terms the suit "totally without merit." Brown, the man caught in the middle, would not comment.

"Our suit alleges that in purchasing Wendy's restaurants in spite of our express warnings, Karcher Enterprises knowingly caused a breach of contractual terms that are the cornerstone of any franchise system," Lawrence E. Schauf, Wendy's vice president and general counsel, said

*(See **WENDY'S**, page 83)*

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# NEWS DIGEST

## Marriott confirms reports of possible In-Flite deal

WASHINGTON — After months of speculation, the Marriott Corp. has confirmed that it is discussing the possibility of divesting In-Flite Services, the company's airline caterer, to a management-led investment group.

Although Marriott declined to identify the group's members, sources indicated that the investment unit is headed by Dan Altobello, the current head of In-Flite, and Fred Malek, a former senior vice president of Marriott's lodging division.

Malek is a senior adviser to the Washington-based Carlyle Group, a merchant banking and investment firm, which sought unsuccessfully last year to acquire the Chi-Chi's chain.

Marriott said revenues for its In-Flite division approached $800 million in 1988.

## Domino's takes car keys away from young deliverers

ANN ARBOR, Mich. — After a spate of fatal traffic accidents involving Domino's Pizza vehicles, the 5,000-unit home-delivery specialist has ordered managers at company-owned units to fire or reassign drivers who are 18 years old or younger.

Domino's said the order would affect about 300 employees.

The order comes two weeks after a 17-year-old driver at a franchised unit in Indianapolis was killed in an accident. His death brings to 20 the number of persons who have been killed in the past year as a result of Domino's deliverymen, the company acknowledged.

Domino's spokesman Ron Hingst said the order is a re-emphasis of a federal law prohibiting the hiring of younger drivers. In some states, he said, people used local laws to get around the federal ordinance.

## Oregon operators face hike in insurance costs, ORA says

SALEM, Ore. — Oregon Restaurant Association officials, still smarting from legislation that will raise the minimum wage from $3.35 an hour to $4.75 by 1991, said a new bill is threatening their ability to provide members with low-cost workers compensation insurance.

"This is going to cost our members money," ORA executive vice president Betty-Coe deBroekert said of Oregon House Bill 2196, which, if passed, would prohibit private insurance companies from writing workers compensation policies.

Since 1984, ORA, which represents about 3,000 establishments, has offered its members workers compensation insurance at premiums equal to or lower than those charged by the State Accident Insurance Fund, deBroekert said. She added that the ORA insurance program, which has a policy written by a commercial carrier, annually returns to participants about 25 percent of the premiums charged in recognition of "safety practices."

Passage of HB 2196 would force individual employers to join the state fund or establish their own fund.

## Tavern strike ends after bitter fight

NEW YORK — A bitter strike at the Tavern on the Green restaurant here has ended with an agreement to rehire striking employees "in a timely manner."

According to the pact, waiters would be paid $3 and dishwashers more than $6. When the strike began, waiters were earning $2.60 an hour and dish washers $5.55. In addition, the restaurant will resume a pension and medical plan dropped by Tavern owner Warner Leroy during a dispute with Local 100, which formerly represented the workers. The accord was hammered out with Hotel and Restaurant Employees International Union Local 6.

Since the picketing began April 30, strikers heaped insults on the tuxedoed-and-gowned patrons who crossed the picket lines to dine at the world-famous enclave in Central Park.

## Jury fines ARG $236,059 in Black Angus bias suit

SANTA ANA, Calif. — An Orange County jury has ordered the American Restaurant Group to pay $236,059 to a chef who claimed he was forced to retire from ARG's Black Angus steak-house chain in 1987.

Rex Kinney, 65, who worked as a Black Angus chef and trainer for eight years, said ARG went so far as to oppose his unemployment claim on the rationale that he had been fired for misconduct.

Ignoring ARG's denials of the allegations, the jury found the Newport Beach, Calif.-based company committed fraud in its dealings with Kinney and included punitive damages of $40,000 in the age-bias judgment.

## Furr's-Bishop's forms unit to develop new concepts

LUBBOCK, Texas — Furr's-Bishop's Cafeterias L.P. said it has formed a new subsidiary partnership to develop its non-cafeteria operations.

Furr's-Bishop's operates 157 restaurants, all but a handful of which are cafeteria-style. Non-cafeteria operations include Furr's Pie Kitchen & Restaurants.

The new unit, Furr's-Bishop's Specialty Group L.P., will pursue expansion through conversion of cafeteria locations, opening of new restaurants, and acquisitions, the company said.

## Young named mktg. chief of Ponderosa steak chain

DAYTON, Ohio — Ponderosa president J. Michael Jenkins has tapped former associate Holly J. Young as senior vice president of marketing for the 720-unit steak-house chain.

Young, 36, succeeds Darrough Diamond, who was ousted last month by Jenkins as part of a plan to turn around the slumping chain.

Young had been vice president of marketing for TGI Friday's since 1987. During a portion of that time, Jenkins was Friday's president. Both are also alumni of S & A Restaurant Corp.

## Wilkins leaves Maverick to become U.S. ambassador

WICHITA, Kan. — Maverick Restaurant Corp., a 20-unit franchisee of the Grandy's chicken chain, said its chairman and chief executive, C. Howard Wilkins, has stepped down to become U.S. ambassador to the Netherlands.

Chris Hotze, the company's president, has assumed Wilkins' duties.

## Arby's changes fryer oil in nod to health concerns

ATLANTA — Arby's is draining its deep fryers and refilling them with vegetable oil in a systemwide switch to the cholesterol-free, low-fat frying medium.

When the changeover is completed this month, the 2,100-unit sandwich chain will use the shortening for all of its fried products, including three types of potato snacks and a line of chicken sandwiches. Updated nutritional data on the changeover will be posted in Arby's units by August.

## Senate backs plan to subsidize day care

WASHINGTON — In a development rife with implications for the restaurant industry, the Senate has endorsed a plan to give states $1.75 billion for the expansion and improvement of day-care services available to low-income workers.

A lack of affordable day-care facilities has been seen as a major stumbling block in bringing more mothers into the food-service work force.

However, the National Restaurant Association has favored a Republican-backed alternative plan, which calls for the use of tax credits rather than subsidies to put day-care services within reach of more families.

FINANCIAL NEWS

# Max & Erma's profits increase 98% in 1st half

By Rajan Chaudhry

COLUMBUS, Ohio — After only two years under new control, Max & Erma's Restaurants Inc. is emerging as a force to be reckoned with in this region's midscale casual-dining market.

In May the company capped off its ninth consecutive quarter of 10-percent-plus same-store sales gains with a 12.8 percent rise; it lifted its annualized average unit volume to more than $200,000; and it widened its unit-level profit margins to a record 15 percent of sales.

Buoyed by the addition of a new restaurant in Rochester Hills, Mich., net income for the company's second quarter ended May 14 advanced 66 percent, to $328,000, while revenues gained 27 percent, to $5.7 million.

The results for the May-ended six months were even more spectacular, with the company reporting a 98-percent year-over-year increase in net income, to $642,000, on a revenue rise of 29 percent, to $12.9 million. Comparable-store sales rose 15.2 percent, including menu-price hikes of about 3 percent, said William Niegsch Jr., executive vice president and chief financial officer of the 13-unit company.

Since Max & Erma's management — led by chairman, chief executive, and president Todd Barnum — bought control of the company from founder Barry Zacks in 1986, the company has trimmed its menu by 30 percent, to 60 items, and poured $1.5 million into restaurant renovations.

It has also implemented management-performance-incentive and stock-option programs and bolstered its marketing arsenal with TV advertising, billboards, and direct-mail programs, totaling 3.25 percent of sales.

Max & Erma's expects its next round of sales increases to come from a new emphasis on service, Niegsch said.

Max & Erma's, at the start of its fiscal year in November, began a shopper's report program and rewrote its training manuals in an effort to upgrade service.

"With our menu in order and our places looking good, the next area to work on was service," Niegsch said.

Under the shopper's program, each Max & Erma's restaurant is reviewed twice per month. At quarter's end the scores are averaged, Niegsch explained.

Half of each unit manager's bonus is contingent upon the results of the shopper's reports; the other half is earned by meeting financial and budgetary goals.

Unit employees are also rewarded for performance. Crews that score highest in quality are recognized with Top Shop sweat shirts, and those who beat their budget by the greatest margin receive $1,500 to split or use as they please.

Since its change of command in 1986, Max & Erma's has undertaken a ground-up rebuilding.

By trimming the less profitable, less popular, and more labor-intensive items from the menu and taking menu price increases of about 2 percent per year in 1987 and 1988, the company has been able to cut its cost of sales by 200 basis points. In the past year alone, the menu changes helped pare more than 100 basis points from the company's payroll costs as a percent of sales, Niegsch said.

Max & Erma's has also slowed the churn of items on its menu, which had been changing three to four times a year, Niegsch noted. With fewer items, which stay on the menu longer, consistency has improved dramatically, he added.

Max & Erma's entrées range in price from $5.95 for a half-order of chicken stir-fry to $13.95 for a strip steak.

The restaurants' signature 10-ounce gourmet burgers start at $4.95 for an economy version and range to $6.25 for a Garbage Burger.

The half-dozen Max & Erma's restaurants that have undergone major renovation — those in which the cost of refurbishment exceeded $100,000 — have regularly returned sales gains of more than 40 percent, according to Niegsch.

The company has also added charbroilers to its restaurants, at a total cost of $30,000 to $35,000.

Max & Erma's plans to open four new restaurants by March 1990: one each in Detroit suburbs Birmingham and Livonia, Mich.; one in Dublin, Ohio, a suburb of Columbus; and one in Shadyside, Pa., part of the Pittsburgh metropolitan area.

The company will spend about $3.3 million on building the new units, Niegsch said.

The costs of expansion will be covered by a combination of the company's cash flow — anticipated at $2.5 million for the next 12 months — its $600,000 in cash reserves, and its bank loan commitment, which was recently extended to $2.2 million from $1.2 million, Niegsch indicated.

And the company still benefits from a tax loss carryforward of about half a million dollars, although it will become partially taxable in the fourth quarter of this fiscal year.

Max & Erma's restaurants average 5,500 to 6,000 square feet, checks average $10, and alcohol accounts for 28 percent of sales, Niegsch said.

## FACT FILE

*A look at the statistics shaping the industry*

**LIBATION LEADERS**

(percent of bartenders who name these mixed drinks as the top sellers)

Source: Beverage Media. Survey of 200 bartenders.

## NRN FINANCIAL DIGEST

### TCBY lifts profits 64 percent for half

LITTLE ROCK, Ark. — TCBY Enterprises Inc. said a 39-percent increase in the number of stores in operation, increased brand awareness, and the introduction of two new products fueled a 64-percent increase in net income, to $11.8 million, for the six months ended May 31.

Sales and franchise revenues advanced to $65 million, 62 percent higher than in the same six-month period last year.

Net income for the second quarter rose 56 percent, to $8.9 million, on a like gain in sales and franchise revenues, to $41.7 million, TCBY said.

Same-store sales increased 5.1 percent in the latest quarter and 11 percent in the first six months of fiscal 1989, reflecting an increase in brand awareness and the introduction of a non-fat frozen-yogurt product and the Shiver, a thick yogurt shake into which any number of flavoring products can be mixed.

TCBY franchises more than 1,370 frozen-yogurt stores.

### Hilton hires financial advisers

BEVERLY HILLS, Calif. — Hilton Hotels Corp. said it has retained Shearson Lehman Hutton Inc. and Eastdil Realty Inc. as financial advisers to help it evaluate strategies to maximize shareholder value, opening the door for the sale of its hotels or other restructuring.

The company has been considered "in play" since its annual meeting in May, when Barron Hilton, the chairman and chief executive, announced he would entertain bids for the hotel and casino concern. Hilton has stated that its decision to hire an adviser was not precipitated by any specific inquiry.

The company's announcement that it had retained advisers sent its shares sharply higher in New York Stock Exchange composite trading.

Hilton Hotels Corp. operates more than 270 properties in the United States and, through its Conrad International subsidiary, has several hotels overseas.

### Two Pesos posts bond, cuts reserve

HOUSTON — Two Pesos Inc. said it has posted an appeal bond in order to stay enforcement of the adverse judgment in its litigation with rival Mexican fast-food chain operator Taco Cabana.

Two Pesos also restated its fourth-quarter results to reflect the payment of $350,000 that an insurance carrier made, relating to the judgment.

The payment reduces Two Pesos' reserve to $2.1 million and improves its net income for the fourth quarter ended March 31 to $453,000 on revenues of $8.3 million — a 15-percent improvement over the figure for the same period last year.

For the year Two Pesos posted a net loss of $4.4 million on a 61-percent increase in revenues, to $40.6 million.

Two Pesos operates 27 company restaurants and three franchised units.

## FOOD PRICE OUTLOOK

# *Bad news ahead on beef prices*

The U.S. Department of Agriculture, in its most recent survey of feedlots, has discovered that placement of young animals on lots has fallen 25 percent from the year-ago figure. That means that prices of fed **beef** (the Choice and Prime grades) are going to climb during the summer and into the fall.

One reason for the drop in placements is that the drought in the plains area caused most ranchers to sell their young animals earlier this spring. Then the rains that hit the southern plains convinced those that had not sold to retain their cattle for range feeding and for raising to breeding size for herd expansion.

If another drought occurs this summer, more animals can be expected to hit the feedlots fast. If not, it will be a period of escalating prices. Right now feedlot population is down only 3 percent to 4 percent from last year's, but a continued holdback by ranchers is expected to drop that level to as much as 20 percent to 25 percent lower by the end of summer.

To balance the bad news in beef, **pork** prices are still running below last year's, and there are good indications that the price will remain moderate through the summer. Declines in feed grains, except for wheat, are contributing to farmers' intentions to farrow heavily through the next few months.

The price of large **shrimp** is failing. Imports are booming, particularly black tiger shrimp from the Orient. Heavy competition is driving prices down. If the U.S. harvest of large sizes in September proves strong, pricing through the fall and into winter may be lower.

The fresh **plum** and **peach** crops in California look good, about equal to last year's harvfest or slightly larger. Look for prices of **broccoli** to firm up as supplies decline seasonally in July.

— **Patt Patterson**

# FOCUS | OPINION

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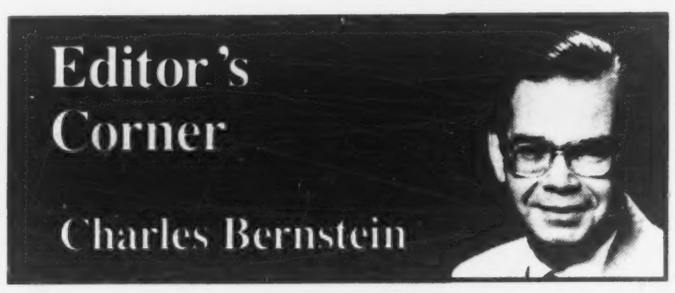
# Huge pressures: Fine-dining independents

For 16 years Jean and Doris Banchet presided over the classical French culinary temple that they created, Le Français.

Customers came to Wheeling, Ill., from far and wide to experience the elegance and greatness of the place some called America's leading restaurant. That point is certainly arguable, but the love this couple showered on their restaurant is legendary.

Jean was unsurpassed in the kitchen, and Doris was superb in the front of the house. He fashioned his unbeatable specialties, while she radiated warmth to the customers. Together, they were an unbeatable combination.




Jean, the ultimate chef-artist, trained prize-winning chefs, such as Tom Coohill, the Atlanta City Grill's new chef, and Mary Beth Liccioni, until recently pastry chef of suburban Chicago's Carlos restaurant.

First-time customers would question the drive from downtown Chicago to the northern suburbs, anywhere from 35 to 60 minutes, depending on traffic. But once they tasted Le Français' fare, almost everyone appreciated it and felt the drive was more than worthwhile.

Some people would travel as far as 200 miles just for dinner at Le Français. Others flew in to savor the joy of dining there. It was usually booked a month or more in advance on weekends, and reservations were a precious commodity.

Part of Le Français' fascination was the idea of driving far out toward the countryside and finding this gem where one might least expect it.

The 90-seat place is not huge, just comfortable. Annual sales are estimated at $5 million, and it is all done in two seatings, at 6:30 p.m. and 9:00 p.m. The average per-person check is $100, but most customers consider that a reasonable value.

Flawlessly displayed specialties, dazzling entrées, and a stunning 80-page wine list are highlights of this culinary spectacular, which was among the first 10 restaurants inducted into Nation's Restaurant News' Hall of Fame in 1980.

But all success is relative, and the Banchets were paying a major price for their efforts. Jean slaved in the kitchen as much as 16 hours a day, six days a week, with only Mondays off. Doris wasn't far behind when it came to working the necessary grueling schedule.

In the early years they enjoyed it. But gradually the intensive efforts required to stay at the top took a toll. While only dinner was served, it took tons of advance preparation. They still loved the restaurant but often were exhausted.

Jean and Doris were wed to the restaurant because they felt only they could do the job. Actually, they were right. Only the owners of such an enterprise would give their hearts and souls to the place.

"We have to be here all the time. We're slaves here, and we are just burned out," the couple previously agreed.

The restaurant is now closed for the Banchets' annual two-week vacation, their only extended time for relaxing. Jean will continue as a consultant and celebrity chef, helping others. The Banchets won't return to fine dining and hope to unwind and relax a bit — if that's possible after all the dedicated restaurant years.

When Le Français reopens in mid-July, it will be under the ownership of Roland and Mary Beth Liccioni, who respectively were the chef and pastry chef at Carlos in Highland Park not far away, until leaving in May to become restaurant owners. They have purchased the restaurant from the Banchets.

The name will be retained for its worldwide impact, and the staff will basically stay the same under the energetic talented couple, who are in their mid-30s. But the menu, portions, and prices will lighten up somewhat along the lines of Carlos Nieto's Carlos restaurant.

Nevertheless, Le Français is still likely to stand for the best classical French cuisine, as it consistently did throughout the Banchets' reign.

The deal highlights the emergence of young celebrity chefs who are steadily gaining ownership stakes in restaurants across the country. But it also dramatizes the immense demands that the restaurant business makes on people.

In many ways this is a young person's game. Experience and maturity are important, but the constant pace often requires relative youth or at least a young outlook.

While many view fine dining as strictly a glamorous occupation, no other endeavor requires as much dedication and takes so great a toll. There simply are limits, no matter how much one loves a restaurant.

Couples and families who operate restaurants face long and lonely hours of toil. The owners must be there to inspire the staff and greet customers if a fine-dining establishment is to be successful. While a family operation has an advantage in terms of stability, it requires more involvement on the part of each person.

Whether it's the Banchets, the Contis of Doylestown, Pa. (Cross Keys Inn), the Comisars of Cincinnati (Maisonette), the Knowles of New Jersey (The Manor), or the Evans of Virginia (Evans Farm Inn) — all Hall of Fame restaurants — the demands of running one or more fine-dining establishments are tremendous in an era when casual, less formal places are in vogue.

As Hall of Famer Don Dianda, 68, declared last month when he sold his cherished 37-year-old San Francisco restaurant, Doro's, "I didn't want to be brave and die with my boots on in the dining room."

Burnout is an affliction that strikes more restaurant families than people imagine. Sometimes the price of the grinding pace is simply too much, and ownership has to be passed to the next generation in the family or sold to others.

## LETTERS

### *Berns: '21' not for sale and won't be in future*

Editor, NRN:

Sidney Palmer Ward's letter of advice about '21' in your May 15 issue is ill-advised. He suggests a sale of '21' because of present ownership. What right does he have to suggest the sale of a privately owned establishment?

Again: '21' is not for sale. My view is that our establishment is well run under Kenneth Aretsky, who is given a free hand in decision-making and operations.

And attendance is excellent despite the remarks of New York Times restaurant critic Bryan Miller, pertinent to the New York restaurant business.

If Mr. Ward knows something that management of '21' does not know (but should), he is beholden to disclose it, as a "friend" of '21,' of the industry, and of New York City.

Enough rehash about the past. '21' looks forward to the '90s *and* beyond.

Could it be that '21' is so important, everyone believes he or she has a say!

**— Jerry Berns**
*former owner, current corporate executive*
The '21' Club
New York

### *Hats off to 'Cowgirl' on successful enterprise*

Editor, NRN:

Congratulations to Sherry Delmarter of the "Cowgirl Hall of Fame." Besides the achievements enumerated by reporter Milford Prewitt (NRN, May 15), may I contribute "proving the exception to the rule."

I make specific reference to "a slam dunk in the face of restaurant consultants." The assumption must be that a consultant would have probably advised about where the restaurant should go and what its concept should be. Prewitt's report, however, indicates that she did not seek the advice of a consultant.

In any case, anyone making a go of a new enterprise is to be congratulated and admired. I even know of some who succeeded with the aid of their consultants.

**— Robert H. Kaiser**
*president*
Robert H. Kaiser Associates Inc.
Ossining, N.Y.

### *Computerized services can make the job easier*

Editor, NRN:

We at Restaurant Technology Inc. enjoyed your Editor's Corner column on company publications, "Morale spur: In-house newsletters." We were also pleased to note your inclusion of a support area often unrecognized — computer services to food-service operators.

**— Janet Brani**
*publications manager*
Restaurant Technology Inc.
Marietta, Ga.

**More letters appear on page F6**

C5150-5

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*Roasting isn't just for meat anymore*
Florence Fabricant/Page 11

EQUIPMENT
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Charles Bernstein/Page F3

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# Slump knocks fine dining off course

## *Operators veer in new directions to reverse sales downturn*

**By Peter Romeo**

With consumers forsaking elegant restaurants for more-casual and less-expensive places, many high-end operators are struggling to regain a following with steps that promise to radically alter the course of fine dining.

"Fine dining is not dead," declared Michael McCarty, whose Michael's reigns as one of Los Angeles' most expensive restaurants. But "the gangbuster days are definitely over."

The segment's contenders noted that a shakeup is in mid-shudder, with even such luminaries as Jean Banchet hanging up their toques. The world-famous chef recently sold Le Français, a shrine of classic French cuisine, to serve as a consultant on such projects as a new country-style place in Florida.

Other veterans are distancing themselves from fine dining by adding lower-cost selections to menus that might not have even listed prices in more robust years. And several high-end operators are revamping their culinary palaces into informal hangouts where patrons don't worry about using the correct fork.

Such prominent restaurateurs as Jeremiah Tower and Jonathan Waxman have already veered in a more-casual direction, and the list of downscalers seems to grow daily. Michael and Robert Foley, operators of the smartly appointed Foley's in Chicago, have just aired plans to convert the place into an informal cafe.

Brendan Walsh, one of New York's most renowned young chefs, says his strategy is to "go low" in his soon-to-open BW's Tavern. Noting New York's "overabundance of high-quality, stuffy dress-up restaurants," he described his new venture as "a place people would think about going to

*(See INDIES, page F6)*

**Fine dining at a crossroads**

**Restaurateurs take a more informal approach to attract a variety of customers**

**Full report appears in Focus**

**FOOD WATCH**

## *Queen of the veggies*

BURLINGAME, Calif. — White asparagus, sometimes called The Netherlands' "queen of vegetables," was recently featured in a variety of appetizers, salads, and side dishes at Veronique's Restaurant in the San Francisco Airport Marriott.

The specialty produce was flown in fresh from The Netherlands several times a week during the three-week promotion.

Sous chef Steve Kaiser said white asparagus specials included a classical version consisting of eight poached stalks garnished with Westphalian ham and chopped egg whites, yolks, and parsley ($6.95). Also served were a white-asparagus salad with radicchio, bibb lettuce, and lemon vinaigrette ($4.95) and a cocktail with citrus vinaigrette, created by arranging asparagus tips and orange and grapefruit sections in a glass ($5.95).

**— Alan Liddle**

# Hanson to sell Ground Round to N.J.-based food processor

**By Peter Romeo**

SOUTH WEYMOUTH, Mass. — Hanson PLC has agreed to sell its Ground Round family restaurant chain to International Proteins Corp., a New Jersey-based food processor, for $97.2 million in cash and stock.

Hanson described the deal as "part of a business combination" between buyer and seller, with Hanson to receive 2.9 million newly issued International shares as well as $53 million in cash. The stock transfer would boost Hanson's stake in International to 49 percent from 9 percent.

The two companies already share a top official, David H. Clarke, and use the same bank and accounting firm.

The 215-unit Ground Round chain, which is based here, generated systemwide sales of $259 million for the fiscal year ended in September and has projected that it would garner a total of $300 million in fiscal 1989. The franchisor, which operates 177 units, received $209 million of the fiscal '88 tally, which yielded an operating profit of $7.4 million, according to Hanson.

It projected that Ground Round's assets would have a value of $55 million when the transaction is consummated in the fall.

*(See GROUND ROUND, page 73)*

# New York exports hot Italian concepts

## *Ruggeri hits the road with Bice, storms Windy City in expansion push*

**By Carolyn Walkup**

CHICAGO — Roberto Ruggeri has opened his fourth Bice restaurant here, betting he can duplicate his fine-dining operation, noted for sophisticated style, in the world's major cities.

In addition to restaurants in his native Milan — where his mother opened the first Bice in 1926 — New York, Sardinia, and now Chicago, Ruggeri plans to open similar operations in Beverly Hills, Calif.; Tokyo; Paris; and Toronto. He chose cities that are home to "sophisticated people who have traveled and . . . know Italian food."

He and some Japanese investors are prepared to spend whatever it takes to get the right locations. In Chicago they bought a building from an owner who would not lease it and added $1.5 million for opening costs, which included paying designer Adam Tihany to transform the space from Charlie Chiang's Chinese restaurant to Bice. Ruggeri hopes the site will be a high-grossing one, as is his approximately $5 million flagship on New York's East 54th Street.

**Roberto Ruggeri**

"This is the first time we bought a building. Normally, we try to make a

*(See BICE, page 73)*

## *California dreamin': Tihany takes Remi west, plans overhaul of NY unit*

**By Richard Martin**

SANTA MONICA, Calif. — Noted designer and restaurateur Adam Tihany and his chef-partner, Francesco Antonucci, are closing their Remi restaurant on New York's Upper East Side and reopening it here with more seats and lower menu prices.

Then, after they complete the transcontinental transplant of the acclaimed trattoria by the end of the year, the partners will re-establish an even larger Remi with even lower prices in Manhattan's bustling West Side theater district. A third Remi is envisioned for Chicago later next year.

According to Tihany, growth opportunities for the Remi concept — not consumers' price resistance — are the motives behind the planned closure, relocations, and price-cuttings. Still, Tihany regards the trend to lower prices in high-ticket restaurants as "definitely a barometer" of recessionary fears, not competitive pressures. "There is somewhat of an economic crisis, and I don't think it's because there are [too many] restaurants," he remarked.

**Francesco Antonucci**

Tihany sees the downscaling drift in expensive operations as similar

*(See TIHANY, page 73)*

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Vol. 23, No. 28 July 10, 1989

## NEWS DIGEST

# Boston's Lafayette taps Schutz to run Le Marquis

BOSTON — The Lafayette Hotel here has tapped chef Pierre Schutz, a young disciple of France's famed Louis Outhier, to run the kitchen of the hotel's top-rated Restaurant Le Marquis de Lafayette.

Schutz, formerly sous chef at New York's acclaimed Restaurant Lafayette, fills the gap left by Philippe Reininger's defection last winter to the rival Copley Plaza hotel. Reininger, who also cooked under Outhier's tutelage, was lured away to outfit the Copley with a top-drawer dining room.

In addition, The Lafayette Hotel named Alfred Nater as its new executive chef, with responsibility for all food-and-beverage operations except Le Marquis. He succeeds Urs Balmer, who has also moved to the Copley Plaza.

Outhier, one of France's most-acclaimed culinarians, continues to serve as master chef of Le Marquis, with responsibility for shaping the dining room's menu.

# Landmark La Pyramide reopens under new pair

VIENNE, FRANCE — La Pyramide, one of the world's most famous and influential restaurants until its closing two years ago, has reopened at its original site here under the tutelage of a young husband-and-wife team.

From the 1920s to the mid-1950s, the restaurant was the domain of Fernand Point, the mentor of such present-day culinary superstars as Paul Bocuse, Louis Outhier, and Alain Chapel. Point, a forefather of contemporary cooking techniques, is widely recognized as one of the most influential chefs of the past century.

The new La Pyramide is operated by Patrick Henriroux, a 31-year-old chef, and his wife, Pascal Henriroux. The landmark's new owners, a real estate company called Fonciere des Champs-Elysees, has expanded the restaurant's dining room and added an inn.

# Pepsico launches program to let staffers buy shares

PURCHASE, N.Y. — Pepsico, the parent of Pizza Hut, Kentucky Fried Chicken, and Taco Bell, has initiated a new stock ownership plan that enables even low-level staffers to buy a stake in their employer.

Under the plan, called SharePower, Pepsico employees who work more than 30 hours per week are granted stock-purchase options worth 10 percent of the staffers' total annual compensation. The options in effect enable staffers to buy Pepsico stock anytime within the next 10 years at the price at which shares where trading on the day the options were granted.

Pepsico has trumpeted the move as a way to motivate staffers at every level of the organization.

# ARG buys Hershel's for rehab into Spoons

NEWPORT BEACH, Calif. — Anwar Soliman's American Restaurant Group has purchased the seven-unit Hershel's Deli & Bakery chain and is converting six Southern California branches to the Spoons Grill & Bar concept.

American, whose other chains include Black Angus, Spectrum Foods, and Grandy's, bought Hershel's for an undisclosed price from Los Angeles restaurant magnate James A. Collins. He acquired the New York-style delis two years ago from founder Harold Butler through bankruptcy proceedings, after Hershel's defaulted on Collins' loan of $3.9 million.

Spoons features barbecue ribs, burgers, fajitas, and other Tex-Mex dishes at prices mostly under $6.95. It expanded to 13 units last month with the reopening of two former Hershel's units. Four other shuttered delis are scheduled to open as Spoons later this summer. American said it would sell the last operating Hershel's, in Troy, Mich.

# *Dunkin' mulls new defenses against takeover*

**By Peter Romeo**

SOUTH WEYMOUTH, Mass. — Dunkin' Donuts said it might pursue an acquisition or "other business opportunities" to dodge a hostile takeover attempt by Cara Operations, the Canadian contract feeder, and Toronto millionaire George Mann.

In a securities filing the doughnut maker also disclosed that it might repurchase more stock shares than it had originally intended. Dunkin' has been acquiring common issues in an effort to boost the percentage of outstanding shares controlled by management and its allies.

Dunkin' detailed those possibilities shortly after formally rejecting a $43-per-share purchase offer from Cara and Mann's DD Acquisition Corp. The bake-shop operator called the bid "inadequate" and commented that it would be "inappropriate to sell the company now, in view of the expected future growth as an independent entity."

Earlier, Cara president Bernard Syron revealed that he had offered in a letter to meet with Dunkin' chairman Robert Rosenberg to discuss DD Acquisition's bid, which Syron termed "negotiable."

Rosenberg "did not feel a personal meeting was necessary" and spurned the overture, Syron told the Securities and Exchange Commission.

# Chevys receipts save two kidnapping victims

SAN FRANCISCO — The night manager of a high-volume Chevys Mexican Restaurant here was recently forced to swap the business' daily receipts for the safe return of his girlfriend and roommate after gunmen kidnapped the pair.

A Chevys spokesman confirmed reports that the kidnapping began early June 26 when the manager and his girlfriend were confronted in the garage of his apartment complex by two gunmen wearing Ronald Reagan masks. The kidnappers forced their way into the manager's apartment, where they tied up the woman and the man's roommate. They ordered the Chevys employee to return to the restaurant for money.

The girlfriend and roommate, who reportedly had been bound, blindfolded, and forced into the trunk of a car driven by the kidnappers, were released unharmed.

# ARA bolsters stake in Canadian feeder

PHILADELPHIA — ARA Services, the contract feeder based here, said it has purchased another block of stock in VS Services, a Canadian food-service management company, to bolster its stake to 64.8 percent.

Additional shares may be acquired as opportunities arise, ARA said. It did not reveal how much it paid for the 126,000 VS shares that were amassed during a recent week.

# Delouvrier to open new hotel restaurant

NEW YORK — Christian Delouvrier, who atrracted attention while he was cooking for the Maurice restaurant in the Parker Meridien hotel here, has been hired by Nikko Hotels to open a new restaurant in the Japanese lodging chain's Essex House.

The planned place, to be called Les Celebrites, will reportedly feature French-Japanese cuisine. The Essex House features a plush French restaurant called Devereux's.

Delouvrier left Maurice when the restaurant overhauled its menu as part of a rejuvenation effort. He was most recently chef at a West Side restaurant called Raphael.

FINANCIAL NEWS

# Furr's/Bishop's plans new concept development

By Rajan Chaudhry

LUBBOCK, Texas — Look for Furr's/Bishop's Cafeterias L.P., the nation's second-largest operator of cafeterias, to launch a new concept within a year, said C. Kenneth Turner, the company's vice president of strategic planning and treasurer and president of its new specialty group.

In what shapes up to be a major shift in strategy, the cafeteria operator has borrowed top talent from throughout its ranks to create a new subsidiary that will develop non-cafeteria operations.

The new unit — called the Furr's/Bishop's Specialty Group L.P. — will expand the Furr's Pie Kitchen & Restaurant concept, design new restaurant formats internally, and shop for new operations.

In some cases existing Furr's/Bishop's cafeterias will be converted to new concepts, Turner said, and the conversions won't be limited to poorly performing units.

"We would not necessarily go in looking for underperforming cafeterias," Turner explained, "but rather units that would have greater potential under another restaurant concept."

The specialty group is interested in acquiring restaurant companies as well as single units, Turner said, either for conversion or to operate existing concepts.

"We're looking for companies that have a good concept, a growing concept, and are dominant in their marketplace," he said. "We're also looking for companies that might have a collection of buildings or real estate or leases that could easily be converted to another concept."

Expansion is most likely in the Western half of the country, where the company's presence is strong, Turner said, although that's not a firm rule.

"We would not turn down an acquisition opportunity simply because it's not in a predefined trade area."

Turner noted that new concepts are under development and hinted that the company would stick with its strength.

"Naturally, cafeterias are part of the family dining segment," Turner said, "and that's a very good segment for us."

The initial units of any new concept will probably occupy converted cafeterias, he said.

The key to the specialty group's expansion will be the Furr's Pie Kitchens.

The company operates two Pie Kitchen restaurants — Country Kitchen-type diners that offer sandwiches and burgers, from $2.25 to $4.50; whole pies, priced between $5 and $6; and slices of pie from 89 cents to $1.25.

Some Pie Kitchens will also feature 20-foot salad bars.

The building that houses the newer of the two Pie Kitchens, opened in September, is 5,000 square feet and seats about 120. The group plans to duplicate the design in future Pie Kitchens, Turner said.

Among the Furr's/Bishop's veterans who will pull double duty with the specialty group are Rich Lahvik, director of marketing for the cafeteria operations and now vice president of marketing for the specialty group; Randy Egenbacher, vice president of real estate for the specialty group; and Jody Thornton and Don Noe, both vice presidents with broad operational responsibilities for the new group.

Despite the aggressive plans for diversification, Turner stressed that the 157-restaurant company has not turned bearish on its core business.

"We have not stopped growing the cafeteria business," he said.

Turner and company also said that they were aware of the potential danger of spreading themselves too thin.

"We've seen a lot of companies learn a lot of hard lessons in the industry," Lahvik said. "We will not let one side slip at the expense of the other. And if we have to add staff, that's what we'll do."

# Collins' net income increases 13%

LOS ANGELES — Collins Foods International Inc. said increased customer counts, check averages, and unit volumes at its Sizzler and international restaurant divisions boosted net income 13 percent and revenues from continuing operations 10 percent for fiscal 1989.

For the year ended April 30, Collins posted a net income of $28.5 million compared with $25.2 million in 1988. The 1988 figure includes an aftertax gain of $1.2 million from Collins' sale of its Naugles business.

Revenues were $541.6 million in 1989 vs. $566.5 million the preceding year, which included $75.6 million from Naugles.

Collins said increased chicken prices and a higher minimum wage on the West Coast clipped profits at the company's domestic Kentucky Fried Chicken stores.

Collins operates 209 KFC units in the United States and operates or licenses 83 units internationally. Through its 64-percent-owned subsidiary, Sizzler Restaurants International Inc., Collins also operates or licenses 628 Sizzler restaurants.

For the April-ended fourth quarter, Collins' earnings increased 14 percent year over-year, to $7.3 million, before the gain from the Naugles sale raised last year's net income to $7.7 million.

Revenues for the fourth quarter advanced 10 percent, to $124.8 million.

FOOD PRICE OUTLOOK

# *Food prices outpace inflation rate*

A combination of last year's drought, heavy export demand for American agricultural products, and worldwide shortages of a number of foods has pushed prices up faster than the general inflation rate. The Bureau of Labor Statistics placed the increase in food prices at the producer level (the old wholesale price index) at 7.1 percent higher than the beginning of the year. And the rate was 6.9 percent higher than the same period last year! **Fresh produce** led the gains, particularly **vegetables,** which were up 55 percent ahead of last year.

Expect **domestic cheese** prices to increase this year. Blame last year's drought, this spring's early dry weather, and competing products claiming greater share of available milk. On the other hand, the strengthening dollar may keep **imported cheese** prices stable or perhaps lower.

No matter how good some of the **canned and frozen vegetable packs** look this season, don't expect prices to drop until the pipelines are full again. That could take several months.

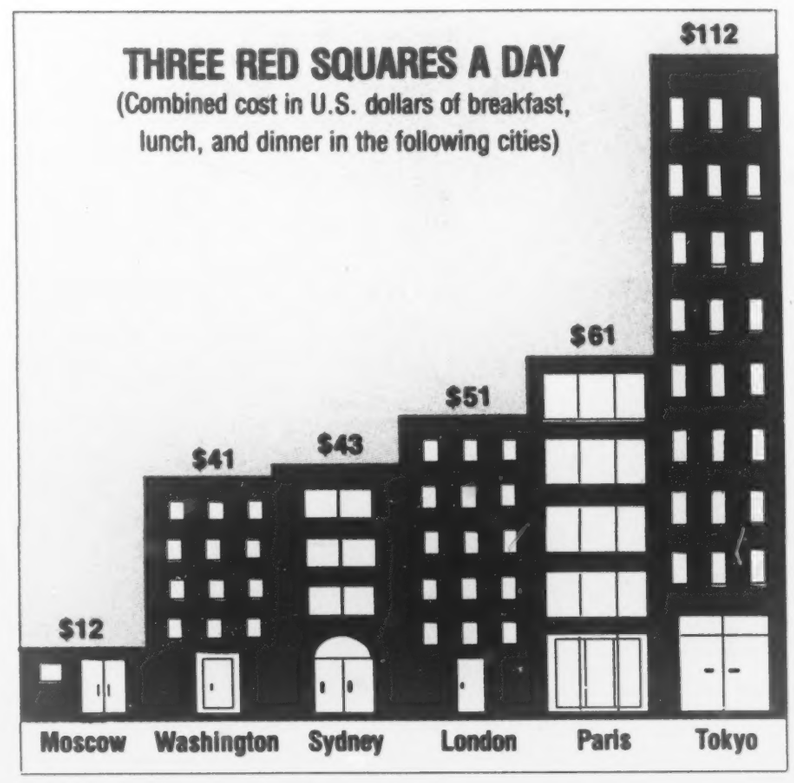
**Salmon** farms are continuing to increase their output of fresh fish. If the oil spill in Alaska has a strong adverse effect on the **pink salmon** catch, farmed fish output may help keep prices stable. One aquaculture economist recently predicted that tonnage of farmed salmon would exceed U.S. consumption of both fresh and frozen wild salmon by the middle of the 1990s. Look for increased interest in farming other species.

Both A and B grades of **frozen potatoes** are tight, with B grades tightest. With new packs not due until fall, some processors are out of the market, except for previous contracts.

— **Patt Patterson**

FACT FILE

*A look at the statistics shaping the industry*




Source: Runzheimer International. Meal costs include tax and tip.

NRN FINANCIAL DIGEST

## Twistee Treat flirts with bankruptcy

NORTH FORT MYERS, Fla. — Twistee Treat Corp., which continues to experience substantial cash-flow difficulties and ongoing operational losses, said it is seeking investors to bail it out.

The company, which operates a chain of soft-serve ice-cream stores, said that if it can't find equity financing quickly, it may have to seek protection under Chapter 11 of the U.S. Bankruptcy Code.

In recent weeks Twistee Treat's shares have fallen to about 40 cents in over-the-counter trading from a 52-week high of $1.62.

## Sizzler's profits rise 14% for year

LOS ANGELES — Sizzler Restaurants International Inc. said net income rose 14 percent, to $21.2 million, and revenues increased 7 percent, to $311.5 million, for the year ended April 30.

The company's traditionally weaker East Coast operations showed strong improvement, contributing to increases in chainwide average customer counts of 3 percent and per-restaurant sales gains of 7 percent.

Sizzler said that, for the fourth quarter, net income advanced 5 percent, to $5.9 million; revenues climbed 6 percent, to $75.2 million; and systemwide sales grew by 11 percent, to $203.8 million.

The company, which is 64 percent owned by Collins Foods International Inc., operates 628 Sizzler restaurants, 192 of which are company owned and 436 are franchised.

Sizzler restaurants feature steaks, salads, and seafood in a casual, upscale atmosphere.

## Disney adopts shareholder rights plan

BURBANK, Calif. — Walt Disney Co. has adopted a shareholder-rights plan to discourage any hostile takeover attempt.

Under the policy, Disney — whose theme parks account for food-service revenues exceeding half a billion dollars — said one Series R preferred share would be issued for each of its common shares outstanding. In the event of an unfriendly takeover attempt, holders will be entitled to purchase stock in the company or an acquirer at half price.

The rights become exercisable if a hostile suitor acquires a stake of at least 25 percent in the company or if a tender offer would give it at least that amount. The rights will then entitle the holders to buy 1/100th of a share of a new series of preferred stock at an exercise price of $350 and give them the right to buy Disney common shares equal in value to twice the exercise price.

The rights will expire June 30, 1999, said Disney, and its board may redeem the rights for one cent each within 10 days after a suitor acquires a stake of at least 25 percent.

In addition to its newly adopted poison pill, Disney discourages takeover attempts by keeping a large portion of its shares in friendly hands.

# FOCUS | OPINION

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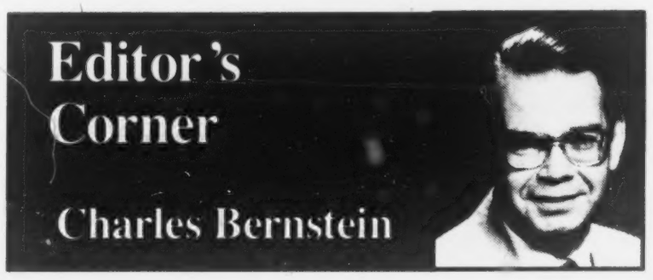
# Alcoholic beverages: Political football?

The government is again attacking alcoholic-beverage consumption as detrimental and as a continuing major cause of drink-related accidents. One published estimate, which may be exaggerated but still dramatizes the point, is that 25,000 persons died in such accidents in 1988 and that 500,000 others sustained "serious injuries."

This is a shameful toll in the United States, and it demands further action. But while we might be in agreement with some of the new proposals (comprising some 200 ideas) that have been advanced, we believe that others really would not be effective.




Too much of the projected legislation would hurt the occasional light drinker, who does not pose any threat, but would do little to discourage the heavier drinker, who is dangerous on the road and a menace to society.

Under legislation advocated by retiring surgeon general Everett Koop and now being considered by Congress, federal excise taxes on beer, wine, and spirits would be sharply increased depending on the alcoholic content of each type of drink. The minimum tax would be 5 cents a drink.

The reasoning apparently is that liquor taxes have not been raised in four years and that the increases would keep pace with inflation. This could add $20 billion in revenues to the government's coffers.

Boosting excise taxes also would force operators to raise their prices, as the operators could not absorb the tax increases on their current base. This in turn would cut further into liquor sales — an obvious goal of the government.

If this program is adopted, it eventually could move society toward zero drinking and become another form of prohibition. In effect, the plan would discourage some people from an occasional drink, which is their right and does no harm to anyone.

Another provision would ban all happy hours. This, too, is a misguided effort, because nothing is wrong with people socializing after work with a snack and a light drink.

Perhaps the oddest provision is one that would reduce the permitted blood-alcohol content for drivers from 0.10 percent to 0.04 percent in stages over the next decade. The current level is generally accepted as a reasonable standard, and anything much lower would prohibit any drinking at all.

Many would cheer such a law, but it is simply going too far and is another move toward zero drinking.

Other sections of the proposed legislation seem constructive. They include the banning of "all-you-can-drink" promotions (a practice that does encourage overconsumption of alcohol), tougher statutes by which states would automatically revoke the driver's license of any person convicted of drunk driving, and extensive educational programs in schools and work places to stress the dangers of drinking and driving.

The recommendations, released last month, appear to be based on a special workshop, sponsored by Koop last December, focusing on alcohol abuse but not on alcohol use. Some of the solutions that emerged are actually aimed against responsible drinkers rather than problem drinkers.

What is even more incomprehensible is that not one of the 120 representatives of numerous groups interested in the DWI issue nobody was invited from the food-service industry. That seems unusual, since 25 percent of all alcoholic beverages are consumed at food-service operations.

We trust that food service will be represented and heard when Congress moves to its final conclusions on Koop's suggestions.

And we certainly hope that whatever bill does pass will emphasize educational programs dealing with the responsible use of alcohol.

It would be a politically motivated mistake to further threaten and penalize the responsible drinker and the responsible food-service operator with some of the unnecessarily harsh provisions that have been advanced.

## LETTERS

### *Joe Edwards brought city sensibility to NRN*

Editor, NRN:

I am deeply saddened by the passing of Joe Edwards.

His work for 10 years was a bright spot in your excellent newspaper. The urban sensibility that he brought to his responsibility — adventuresome, knowledgeable, and to the point — is the very essence of life in this great city of ours.

Joe provided a very special extra dimension. We will all miss him.

**— Arthur C. Powers**
*president*
Texas Tortilla Bakery
New York

### *Industry will all miss working with Edwards*

Editor, NRN:

Your May 22 obituary story on Joe Edwards was most appropriate, comending his work and citing him as the fine person he was. We will all miss working with him.

**— William J. Primavera**
*president*
Primavera Public Relations
Yorktown Heights, N.Y.

### *Eloquent tribute honors a professional journalist*

Editor, NRN:

A note to say how moved I was by your May 22 piece on Joe Edwards. You pay eloquent tribute to a man who did indeed add a lot to the excitement and professional rewards of reading your journal.

I was also touched to note that you kept Joe on full employment despite the ravages of his illness. What a good example to some of our colleagues in the industry!

Your May 22 issue is a fine one. Congratulations and thanks to you all.

**— Alan G. Reyburn**
*president*
A.G. Reyburn Associates Inc.
New York

### *Marilyn Collins battled odds to make it to top*

Editor, NRN:

Your May 29 Editor's Corner column, "Too few women execs," identified a very real and troublesome problem in the food-service industry. Your points are well taken and appreciated. However, there is one omission from your list of four top women executives who should be mentioned.

As you reported in your May 15 issue, Marilyn Collins was named president of Valley Food Service Corp., a $50 million volume company. She is the first woman to head a major contract food-service company. She started as a registered dietitian with Valley in 1968 and worked her way up through the ranks in several operations positions, including chief operating officer in 1987.

Valley currently serves more than 100,000 meals daily in seven states and will soon be involved in significant expansion through new contracts.

As your article pointed out, Collins and other women who have risen to the top ranks of their organizations have done so against great odds. They deserve all the credit and recognition they can get.

**— Philip Shirley**
*vice president of public relations*
Godwin Group
Jackson, Miss.

### *Helping feed the hungry should be a daily affair*

Editor, NRN:

I was pleased to see your June 5 editorial on restaurants' efforts to feed the hungry, and I agree with you that helping the hungry and homeless shouldn't be a one-evening, annual affair.

Thanks to the passage of "Good Samaritan" laws releasing food donors from liability in many states, perishable- food-salvage programs are starting up in cities all over the country. These programs pick up non-marketable food from restaurants and deliver it to the people in the community who need it most — at no cost to the restaurant.

Our program here in Tucson, called Tucson's Table, delivered more than 62 tons of food during our first year of operation, and our second year promises to be even bigger as the idea catches on. I sincerely thank each of our food donors who saw us through that first year and helped us find our way, and I urge all restaurateurs to start a relationship with a perishable-food-salvage program in their city.

As Charles Dudley Warner said, "It is one of the beautiful compensations of this life that no one can sincerely try to help another without helping himself."

**— Janet K. Miller**
*program manager*
Tucson's Table
Tucson, Ariz.

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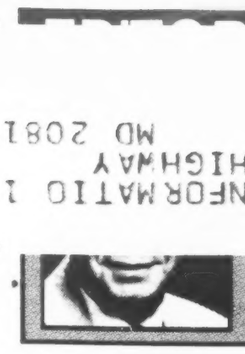
FOCUS
Food safety issues spark new concern
Focus section follows page 19

FOOD
Beef still a staple in all shapes, sizes
Florence Fabricant/Page 10



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NRN Photo

Connoisseurs reach for a taste in sampling tents at the Food and Wine Classic.

# Lighter foods, richer tastes anchor new menu strategies

**By Rick Telberg**

SNOWMASS, Colo. — Facing an increasingly calorie- and cholesterol-conscious clientele, restaurateurs are developing a host of new strategies for lightening menus without sacrificing rich or innovative flavors.

Many are replacing butter and cream with flavored oils and vinegars. Others are using a wider variety of meats on their menus, adding such items as lamb, lobster, and venison, where they once had only beef, chicken and fish. Still others are using fruity flavorings, such as lime instead of lemon.

The move toward light but rich foods emerged as a key issue at the seventh annual Food and Wine Classic, sponsored by Food and Wine magazine at this ski resort near Aspen, Colo. The event attracted about 1,300 culinary aficionados.

They attended seminars on wine tasting, watched cooking demonstrations by a few of the nation's leading chef-owners, and toured four huge outdoor tents to taste the wares of

(See **FOOD CONFAB**, page 49)

**What's Hot In Aspen/Snowmass**
See page 8

## FOOD WATCH

### *Now they're cookin'*

**SNOWMASS, Colo. — Ten leading chefs were honored at the Food and Wine Classic here as the "Best New Chefs" of 1989.**

**They were chosen by the editors of Food and Wine magazine and honored at a banquet at which they were invited to cook some of their specialties.**

**Here are the winners and the dishes they prepared:**

*(See **FOODWATCH**, page 49)*

# Operators battle summertime blues

## *Explore new promos, ventures*

**By Jack Hayes**

Fine-dining operators across the nation are waging a summer war against the new breed of casual upstarts who are stealing patrons with trendy menus, upscaled service, and eclectic design.

Injured by a nonstop flood of competition from the hot casual-restaurant segment, fine-dining operators are throwing a flurry of defensive blows — everything from summer menu promotions to full-scale restructuring of concepts.

"We're going back to every fundamental we know — which includes knocking on doors and asking for the business," said J.W. "Slug" Claiborne, who operates in Charlotte and Chapel Hill, N.C., and Myrtle Beach, S.C. Claiborne has ordered store managers and assistants to make five personal calls a day to deliver fresh-baked brownies to potential diners.

In Boston, Jerry Hendricks of the posh Bay Tower Room, overlooking Faneuil Hall mall, is targeting the mid-week diner with a $25 certificate that can be redeemed on the next visit. Another promotion plays up a complimentary shrimp bowl between 5 and 7 p.m.

"We're seeing a decrease

*(See **SUMMER**, page 49)*

# Western Sizzlin axes logo, realigns concept

**By Jack Hayes**

DALLAS — Moving the concept away from its steak roots, the new management team at Western Sizzlin is sending the chain's 27-year-old steak-house logo to the slaughterhouse and broadening the menu.

Attempting to expand its reach as a family feeder in the budget casual-dining segment, the 550-unit operation — headed up by Pizza Hut founder Frank Carney — is rolling a new lunch menu and a new name: Western Sizzlin Restaurants.

In the bargain, Western Sizzlin is aligning itself with such concepts as Sizzler Steak Seafood Salad and Bonanza Family Restaurants, which have upgraded and broadened their food focus to escape the stagnant "steak-only" stereotype.

"According to research, consumers see all budget steak houses as the same operation; we need to break out of that mold," said Michael Stack, who became

*(See **WESTERN SIZZLIN**, page 49)*

# Trusthouse buys Creative Gourmets

**By Bill Carlino**

CHARLESTOWN, Mass. — Creative Gourmets, a stylish food management company based here, has been acquired for an undisclosed sum by Trusthouse Forte Food Services Inc., the domestic arm of Gardner Merchant, a leading European caterer.

A 14-year old company, Creative Gourmets has developed a reputation for providing food-service to prestigious accounts, including Harvard Law School and the Museum of Science, in addition to catering high-profile weddings and social events.

Neil Cheadle, executive vice president of Trusthouse Forte Food Services, said Creative Gourmet's client portfolio was one of the major reasons for the sale.

"They operate with a lot of flair and have a good client portfolio, as we do," Cheadle said. "We've been wanting to get our foot in the Boston area for a long time. The sale creates a good synergy."

Cheadle stressed that no layoffs would occur as a result of the sale, and Elmont will continue in his capacity as president.

"What this has done for the company and our employees is give us a chance to grow with an international company," said Stephen Elmont, president and co-founder of Creative Gourmets. "We're very good at what we do, and with the expanded resources offered by Trusthouse, we'll be even better."

Creative Gourmets has about 50 accounts with annual sales of

*(See **CREATIVE**, page 4)*

Michael Bailey, left, signs deal with Stephen Elmont.

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## NEWS DIGEST

# Wis. raises minimum wage, but adds new-job exception

MADISON, Wis. — State officials have raised the minimum wage by 30 cents, to $3.65 an hour, making Wisconsin the 13th state to raise its pay floor above the federal minimum.

However, legislators granted employers the concession of a sub-minimum "probationary" wage for newly hired employees. Workers are entitled to $3.45 per hour during their first 120 days on the job.

Legislation to boost the federal minimum wage to $4.65 was vetoed by President Bush. Sen. Ted Kennedy, the Massachusetts Democrat, has vowed to draft a new pay-hike proposal.

# Twistee Treat seeks bankruptcy protection

NORTH FT. MYERS, Fla. — Twistee Treat Corp. and its Twistee Treat Financial Corp. subsidiary have filed petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

Twistee Treat, which operates a chain of about 45 ice-cream stores, said it made the decision to seek protection from its creditors based on "continuing losses of the companies and their inability to meet over-burdening cash-flow requirements."

The company said the filing would grant time to seek such remedies as a "reverse merger" or cash infusion from an investor.

# Judge sentences servers for understating tips

WASHINGTON — A federal judge here has sentenced eight waiters to part-time jail terms for failing to report the full amount of their tipped income to the Internal Revenue Service.

The servers were ordered to spend their nights and weekends in low-security correctional facilities for at least three months. In addition, each was fined $1,000 and directed to pay the full amount of their IRS debt, which included overdue taxes, accrued interest, and penalties.

The judge granted permission for the defendants to continue working at their restaurant jobs. The crew failed to report a total of $145,000 during a four-year period.

# Dunkin's suitors say financing is secured

TORONTO — Pressing their joint pursuit of Dunkin' Donuts Inc., Kingsbridge Capital Group and Cara Operations Ltd. said they have secured $275 million to finance a takeover of the donut maker.

The duo, which has offered to buy all Dunkin's outstanding shares for $43 each, has estimated that the hostile takeover would cost a total of $256 million.

The suitors also disclosed that their lawsuit to overturn certain of Dunkin's "shark repellents" were about to be heard by a Delaware court.

Dunkin' has spurned the $43-per-share bid as "inadequate" and has refused to meet with representatives of Cara or Kingsbridge.

# Hilton's Conrad hotel chain enters into 12 joint ventures

NEW YORK — Conrad International Hotels Corp., the international unit of Hilton Hotels Corp., said it has signed joint-venture agreements to open 12 luxury hotels worldwide by 1993.

The agreements are a departure for Conrad, which has typically kept its equity stake in hotels below 20 percent.

Among the sites of the new properties are Brussels, Belgium; London; Hong Kong; Dublin, Ireland; Monte Carlo; and Cancun, Mexico.

Conrad, which operates one resort hotel in Queensland, Australia, and another in St. Martin, plans to open 40 hotels within the next nine years. The properties will compete with Hilton hotels, which are operated by a separate company called Hilton International — who obtained rights more than a decade ago to use the Hilton name outside of the United States.

# Marriott purchases stake in child-care concern

WASHINGTON — Marriott Corp. has taken another step in the diversification of its contract services unit with the purchase of an equity stake in a provider of corporate child care.

The food-service and hospitality giant's stake in Corporate Childcare Inc. of Tennessee carries with it the option to acquire the company in two years.

Marriott recently completed the acquisition of United Healthserv Inc., a facility management concern with sales of more than $250 million.

# LA's Ambassador Hotel sold to office developer

LOS ANGELES — The landmark Ambassador Hotel here has been sold by the Schine family to S.D. Malkin Properties, a developer of office buildings, for an undisclosed amount.

The 500-room property occupied a 23.5-acre plot in an area zoned for business, making it one of the most desirable real-estate parcels in Los Angeles. However, the sellers had been unable to find a buyer for three years. Many investors had ignored the opportunity because of concerns that Los Angelenos would seek to preserve the facility as an historical landmark, preventing a re-development of the site.

The family had reportedly been asking more than $65 million for the 68-year-old hotel.

# Tyson brings Holly Farms under its wing for $1.29B

SPRINGDALE, Ark. — Tyson Foods Inc. has agreed to pay $70 a share, or $1.29 billion, for Holly Farms Corp., ending an eight month brawl with ConAgra Inc. for supremacy in the $11 billion U.S. chicken industry.

As part of a settlement approved by the Delaware Chancery Court, Tyson will also pay ConAgra $50 million to terminate its merger agreement with Holly.

Tyson's winning bid was 35-percent higher than its original tender offer launched in October.

# Arby's eyes trial of deluxe country-fried steak sandwich

ATLANTA — Arby's Inc. said it will test market a new super deluxe version of its country-fried steak sandwich this fall.

The new product, an extension of its line of country-fried steak sandwiches, will feature lettuce, tomatoes, mayonnaise, pickles, onions, ketchup, and mustard.

New products have been instrumental in the sandwich-chain operator's recent turnaround, helping fuel an 18-percent gain in systemwide sales in 1988, to $1.16 billion.

# GAO says import inspectors spend little time inspecting

WASHINGTON — Some government food inspectors responsible for the safety of imported products spend more than 90 percent of their time doing paperwork or bureaucratic tasks far removed from the actual inspection of food, General Accounting Office investigators have charged.

In a new report that raises fresh questions about the safety of food products available to the nation's restaurants, GAO researchers reported that Food and Drug Administration food inspectors in San Juan and Cincinnati spend only 9 percent of the work week on actual physical inspection of imported food, including restaurant mainstays such as cheese and fruit.

The average time used for physical inspection of imported food in the 10 cities surveyed was 22.2 percent.

The limited time devoted to hands-on inspection is expected to fuel the controversy over the safety of imported food which was triggered by discovery of poisoned Chilean grapes earlier this year. According to the G.A.O., about 40 percent of the 23,549 imported food samples analyzed by the F.D.A. in 1987 failed to meet agency standards.

FINANCIAL NEWS

# Operating profits rise 23% at General Mills restaurants

By Rajan Chaudhry

MINNEAPOLIS — General Mills, the restaurant and consumer foods company based here, said the addition of 100 new Red Lobster and Olive Garden restaurants helped drive post-tax profits up 12 percent, to $315.3 million, on a 13-percent rise in sales, to $5.62 billion, for its fiscal year ended May 28.

Sales at the company's restaurant group advanced 24 percent year-over-year, to $1.62 billion, said General Mills, while operating profits climbed 23 percent, to $127.7 million.

Average weekly sales in the latest year outstripped those posted last year by 33 percent at Red Lobster Canada, by 7.7 percent at Red Lobster USA, and by 3 percent at The Olive Garden.

Red Lobster Canada added 5 units, bringing its year-end total to 46. Red Lobster USA added 42 units — including the purchase of 26 Seafood Broiler outlets in Southern California that were converted to Red Lobsters — for a total of 444 units. And Olive Garden added 53 units, bringing its total to 145.

For the May-ended 12 months, the company's net income rocketed 46 percent, to $414.3 million, boosted by a net gain of $169 million from its discontinued York's cafeteria, Talbots and Eddie Bauer retail, and Vroman's frozen novelties operations.

Red Lobster began as a single seafood restaurant in 1968.

The $169 million gain was partially offset by the cumulative effect — $70 million — of changing to accrual accounting for post-retirement health benefits, the company said.

In the latest quarter, a charge of $22.1 million from discontinued operations cut net income by 35 percent, to $35.6 million, on a sales gain of 15 percent, to $1.44 billion.

Restaurant operating profits gained 29 percent for the quarter, to $41.1 million, on a 24-percent increase in sales to $434.3 million.

In fiscal 1989, General Mills repurchased 3.5 million shares of common stock, 1.5 million of which went to replace shares purchased in June from the company's treasury to complete the formation of a new Employee Stock Ownership Plan.

Recently, ESOPs have gained favor as a takeover defense because they place large numbers of shares in friendly hands.

General Mills noted that it intends to make further periodic share purchases on the open market.

Average shares outstanding declined to 81.9 million for fiscal 1989, from 87 million in fiscal 1988.

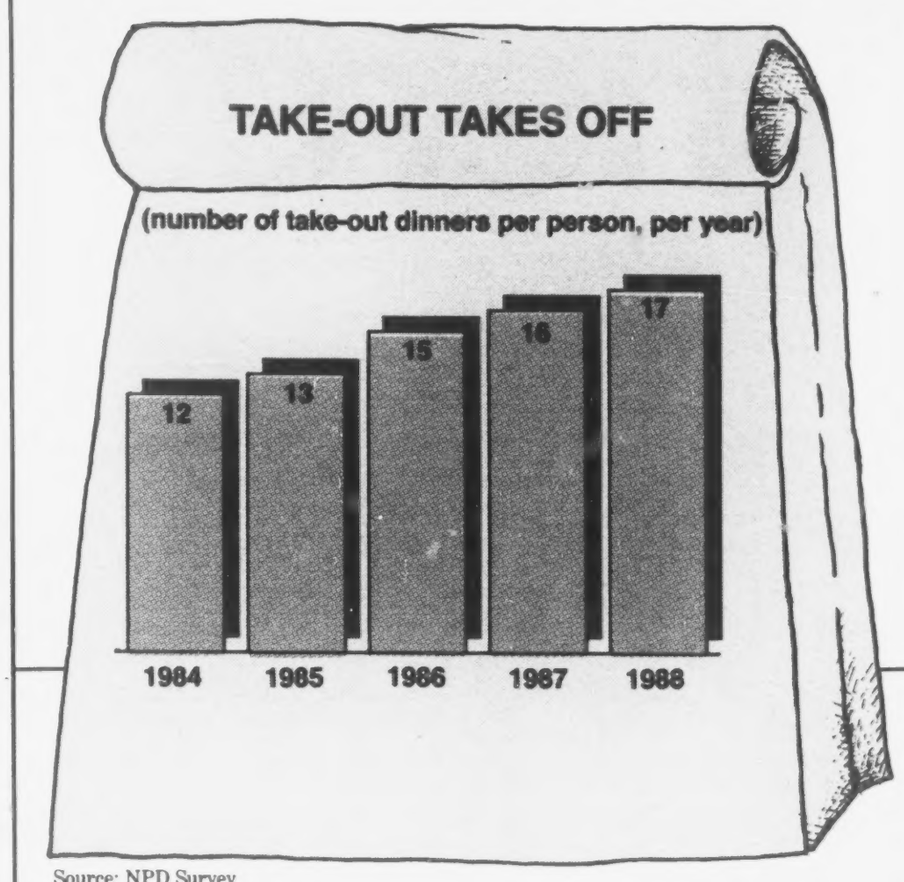
The company's consumer food sales grew 9 percent, to about 4 billion, for the year. And operating profits for the foods group — which includes brands like Raisin Bran, Cheerios, Betty Crocker, and Yoplait yogurt — increased 7 percent to $452.4 million.

NRN Photo

An Olive Garden Italian restaurant in Temple Terrace, Fla.

## FACT FILE

*A look at the statistics shaping the industry*




Source: NPD Survey

## NRN FINANCIAL DIGEST

### Perkins sells eight restaurants

MEMPHIS — Perkins Family Restaurants L.P. said it has sold eight Denver-area restaurants to Colorado-based Vista Restaurants Inc. for $2.3 million.

Perkins has entered into long-term lease agreements for the land and buildings at the eight sites, which will continue to operate under the Perkins banner, the company said.

Perkins and Vista also signed a five-year development agreement that gives Vista exclusive rights for the Denver area.

Terms of the area-development agreement were not disclosed.

### Lindner keeps Circle K in play

WASHINGTON — Circle K's largest shareholder, Carl Lindner's American Financial Corp., said in a Securities & Exchange Commission filing that it is "prepared to discuss possibly participating in the leveraged acquisition" of the company.

American Financial holds a 38.4 percent stake in the Phoenix, Ariz.-based convenience-store operator.

Lindner said he would be prepared to sell his interest in Circle K if an acquisition proposal accepted by Circle K's board was at a price and on terms he finds acceptable.

Circle K chairman Karl Eller, who holds a 7-percent stake, already has indicated his interest in acquiring the company.

But Eller has entered into a standstill agreement that precludes him from proposing any merger, restructuring or similar transaction — or entering into a binding agreement with any shareholder — without prior approval from Circle K's board.

### Ramada revises restructuring plan

PHOENIX, Ariz. — Ramada Inc. revised the terms of its restructuring to potentially reduce the amount of cash shareholders will receive, but increase the stock they will get in the surviving gaming company, called Aztar Corp.

Under the original plan, Ramada — which agreed in April to sell its hotel business to New World Development Co. of Hong Kong and Prime Motor Inns Inc. of Fairfield, N.J., for $540 million — was to pay its shareholders $7 for each Ramada share plus one-quarter share of stock in Aztar.

Under the new plan, shareholders will receive the $7 minus 40 percent of the amount by which Ramada's common shares exceed $14 on the day the transaction closes. They will also receive one-half share in Aztar per share of Ramada held.

The 40 percent reduction amounts to 5 cents per share for each 12.5-cent increase in the stock price.

The change was made to compensate for taxes Ramada will have to pay if its stock price exceeds $14 a share. At the $14-per-share-price, the transaction would be recorded as a gain for the company, Ramada said.

The transaction is expected to be completed in mid-August, Ramada said.

## FOOD PRICE OUTLOOK

# *Prices drop for green coffee beans*

Prices of **green coffee beans** coming into this country have fallen below last year's level. Reason: failure of the producing and consuming nations to reach agreement on a two-level rate structure within the International Coffee Agreement. Some producing nations want to be able to sell to non-pact countries at a pricing far less than paid by countries, such as the United States, which sign the international agreement. However, expect the pact nations to continue to meet to resolve the issue. Resolution will mean continued high prices for coffee here.

Now that the U.S. Department of Agriculture has determined that there is a larger Florida orange crop than anticipated, **frozen orange juice concentrate** prices will not advance, but may even drop a bit by the fall. Florida will be able to supply over 60 percent of this country's needs. Brazilian juice will make up the difference. A few years ago, as the result of disastrous Florida freezes, Brazilian concentrate amounted to more than 50 percent of the U.S. pack.

Aquaculture is finally affecting **shrimp** prices. Exploding expansion of shrimp farms in China and Ecuador has sent imports volume of medium-sized shrimp (31-35 and 36-40 counts) spiraling up, while prices drop. With other Asian and Latin American countries pushing into large scale production, expect prices to be even lower next year.

The **California apricot** pack is going to be larger, based upon a 21 percent crop increase. By the end of summer, prices should moderate. The only fly in the ointment is the USDA buy of nearly 260,000 cases of 6/10 apricots for school lunch and other feeding programs. Further federal buys could hold prices at last year's levels, considering the small carryover.

— Patt Patterson

# FOCUS | OPINION

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# Campus nightmare: Industry recruiters

Complaints have been heard across the country from food-service operators who bemoan a lack of qualified applicants for positions in the industry. It is accepted as gospel that the industry faces a severe labor crisis as baby boomers age and there are fewer young people to fill positions.

We previously have emphasized a critical need for Hotel and Restaurant Management Schools to encourage their students to enter food-service careers, which offer so many opportunities for growth, as contrasted with hotels or consulting companies. Nevertheless, graduates still often opt for the temporary glitter of hotel or consulting jobs over a food-service career that would provide a stronger background in the long run.

Meanwhile, restaurants keep missing opportunities to hire older workers, handicapped workers, and others who could help solve the "labor crisis." With the number of employees needed in the food-service industry soaring toward the 10 million mark, popular wisdom holds that the demand is outstripping the supply of qualified applicants.

The other side of the coin was brought home to us in these pages last month by Donna Russo and Tina Gambone, two recent graduates of Widener University's School of Hotel and Restaurant Management, Chester, Pa.

Some readers may view the letter as exaggerated and not typical of the situation. Yet it brought serious recruiting defects out in the open.

When talented students like Russo and Gambone, who both were dedicated to careers in the food-service industry, face obstacles such as they described — obstacles that were corroborated by professors at the school — the industry must come to grips with the fact that food service is not presenting its best image.

The problem has usually been seen in terms of lackadaisical employees and mediocre service — dilemmas that usually start at the top of companies and work their way down. But now we find that recruiters don't always present the most professional image either.

Unfortunately, this becomes a double whammy when recruiters deal with enthusiastic students who are at the most impressionable stages of their budding careers.

While company blurbs and pamphlets emphasize success stories and "make us want to be a member of the team," the two students asserted, "the people handling our interviews have at times been unprofessional, ill-informed, negative communicators, and pessimistic about the industry for which they are recruiting. The lack of professionalism exhibited by some recruiters is alarming, and as a result, the impression we hold is negative."

Among examples cited: While professors have drummed into students the need to look sharp with jackets and ties, a leading fast-food chain sends a recruiter dressed casually in a sweater; students are given no more than 10 minutes to present their entire background and aspirations; and an information session for students mainly rebukes the food-service industry for various "crummy jobs."

Other negative tidbits: Recruiters fall far behind schedule, forcing students to miss important classes; a recruiter treats students in a "degrading manner"; students do not hear anything pro or con for months after their interviews; and second interviews are scheduled at 9 a.m. at a company headquarters 2½ hours from the campus, and the student is expected to get there the same morning.

Some of the recruiters apparently paint a dim picture of working conditions. Students have been told they can have the privilege of working 70 hours a week for $5 an hour.

We're sure that these horror stories do not apply to the majority of food-service recruiters. We know from personal experience that many food-service recruiters are true professionals with pride in their companies and a desire to attract the best and the brightest. They generally present themselves and their companies well.

But there are exceptions in which the nightmares described above do occur. These cast a blot on the industry and disillusion aspiring students — something the industry can't afford.

Each human resources department must make absolutely sure that the recruiters it sends to campuses or anywhere else are seasoned professionals who present themselves, their companies, and the industry in the best light.

The industry's image rides not only with the impressions made on customers but also on young people who can be its future lifeblood — if they are treated courteously as professionals by professionals.

## LETTERS

### *Kosher Broadway deli takes a family by storm*

Editor, NRN:

Recently I had such an enjoyable experience at a restaurant in New York that I feel compelled to let others know about it, especially since it is fairly new and probably not well known yet.

The restaurant is the Mr. Broadway Deli and Restaurant. It is located at 1372 Broadway, between 37th and 38th streets, in Manhattan.

My wife, our four children, and I were having dinner with other family members and friends to help celebrate the graduation of our two youngest daughters from law school and Vassar. There were almost 40 people in our party. My main course was fresh Norwegian salmon.

Others in the party had rib steaks, various chicken dinners, or a shish kebab. We were served a variety of appetizers, all of a Mideastern nature. We were also served salads and various vegetable dishes.

My salmon was outstanding. I recently had salmon at the Omni International Hotel in St. Louis, and it was extremely well prepared. Mr. Broadway's was even better.

All of the other dishes served were excellent, as was the service. It was my impression that virtually everybody at the party shared my views. In addition, the surroundings were quite pleasant.

The restaurant is strictly kosher. However, you do not have to prefer kosher food to enjoy the meals we were served. They were truly special.

In any event, I certainly recommend it to you and others in New York City.

**— Mark J. Klein**
*attorney*
Kansas City, Mo.

### *Sullivan HRIM program committed to education*

Editor, NRN:

Once again, your publication has overlooked the National Center for Hospitality Studies at Sullivan College.

Several month ago, Nation's Restaurant News published an article on several leading culinary schools, which failed to mention the National Center for Hospitality Studies. We brought this to your attention, and your reply at the time was that, of course, it is not possible to list every school in every article.

Since that time, you recognized the National Center for Hospitality Studies briefly for its achievements at the Culinary Salon at the NRA Show, for which we are appreciative.

However, in your June 12 issue, you once again give comprehensive coverage to a number of HRIM programs and, once again, the National Center for Hospitality Studies was omitted.

I call this to your attention in the hope that you will keep this letter in an active file and consider the inclusion of the National Center the next time you recognize those schools that have made a commitment to quality culinary education in America.

**— Robert Lewis**
*chairman*
Hotel/Restaurant Management Program
The National Center for Hospitality Studies
Sullivan College
Louisville, Ky.

### *Hall of Fame luncheon: Great chance to mingle*

Editor, NRN:

Would you please be kind enough to thank everyone who had a part in making this year's Nation's Restaurant News Fine Dining Hall of Fame luncheon in Chicago so special.

It's such a wonderful opportunity to see people you'd normally never have the opportunity to meet. NRN makes this all possible for so many of us who never get a chance to get to each other's restaurants.

You've been such a good friend to me and Jimmy's Place. I hope I'll be sending you thank you's for many years to come.

**— Jimmy Rohr**
*owner*
Jimmy's Place
Chicago

C5150-5

SOUTHEAST
*Downside Risk debates future*
Jack Hayes/Page 18

BEER, WINE & SPIR
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# RIFT AT KFC

## *Franchise pact splits ranks*

**By Milford Prewitt**

LOUISVILLE, Ky. — Company proposals to change Kentucky Fried Chicken's standard franchise agreement are sharply dividing franchisees, with some of them supporting new, tougher language as essential to improving the chain's performance and others asserting the new rules would be too expensive and too harsh.

"The old contract is much more favorable than the one being discussed," said Anthony Ashmore, a 12-unit franchisee in McAlestar, Okla. "There're some major concerns."

But Bruce Raba, president of Scott's Food Service Inc. in Austin, Texas, with 188 U.S. outlets, asserted: "I have a feeling all of this is positive. It's just good business sense to standardize operations and have tighter control. What's wrong with that?"

"You really can't fault KFC," added Wayne Jones, president of Marcus Restaurants in Milwaukee. "All companies are trying to change the contracts and improve their operations."

Company spokesman Gregg Reynolds said: "In any fran-

*(See **PROPOSAL**, page 57)*

NRN Photo

**Campanile chef-owner Mark Peele, right, inspects a produce delivery with sous chef Anne Sprecher.**

# Versatile veggies earn star billing

**By Richard Martin**

With the health craze in full bloom, savvy restaurateurs are serving up bold and innovative vegetable creations to harvest diners' growing appetites for legumes, roots, tubers, fungi, and all manner of things green and leafy.

Newfangled recipes built around common and exotic produce species are the rage at progressive establishments from coast to coast.

By offering dishes that run the gamut from chili-spiked spuds to white asparagus with morels, intrepid culinarians are honing their reputations and cultivating bumper crops of vegetable-loving connoisseurs.

Green-thumbed superchef Bradley Ogden, who will open his Lark Creek Inn in Larkspur, Calif., next month, is among a small field of purists who even go so far as to grow their own pampered produce.

Whether grilled, roasted, sautéed, pureed, or gratiné, spiffed-up vegetables of all kinds are raising guests' satisfaction levels to new heights.

The trend goes beyond clever fine-dining creations and affects the mass market of mid-scale chains and mainstream fast-food concepts.

"People want vegetables, not just potatoes, and fresh vegetables, at that," said Vincent Kikugawa, president of the Marie Callender's family-restaurant chain. "Americans are into healthful eating."

At the budding Koo Koo Roo fast-food chicken chain in Los Angeles, intriguing vegetable dishes are winning consumer converts from the mundane

*(See **VEGETABLES**, page F8)*

**Lafayette menu spotlights vegetables**
See story on page 4

## FOOD WATCH

### *Mama mia! Oat bran pizza*

CHICAGO — Edwardo Jacobson, founder and now owner of just two Edwardo's Restaurants, has come up with a new pizza he hopes will appeal to customers' increased health consciousness — oat bran broccoli pesto pizza.

Jacobson, who earlier created the stuffed-spinach pizza, which has become a best seller for the Edwardo's chain he sold last year,

*(See **OAT BRAN**, page 4)*

# Marriott sells In-Flite Services

## *Inks deal with investor group*

**By Rajan Chaudhry**

WASHINGTON — Marriott Corp. has agreed to sell its airline catering division — Marriott In-Flite Services — to an investor group led by Daniel J. Altobello, president of Marriott's Airport Operations Group, and Frederic V. Malek, a merchant banker and former Marriott executive.

Terms were not disclosed, but estimates pegged the price of the long-awaited sale at $600 million to $700 million.

Although In-Flite's international business is reportedly growing at a brisk 20-percent rate, domestic growth has stalled, largely because of the troubles of the U.S. airline industry. And Marriott doesn't expect a strong recovery.

Sales to ailing Eastern Airlines, for example, were off by 25 percent in 1988 and, with the carrier now battling in bankruptcy court, will fall farther this year, a Marriott spokesman noted.

In 1988 In-Flite posted profits of between $55 million and $65 million on sales of about $800 million.

The operation's earnings growth potential is estimated at about 8 percent a year, well short of Marriott's long-term growth rate target of 17 percent to 19 percent.

Marriott said it would use the proceeds from the In-Flite sale to pay down a portion of its hefty $3.1 billion long-term debt.

**Marriott's profits down in 2nd Q**
See story on page 12

Under Marriott's agreement with Caterair International — the investor group that includes Altobello, Malek, and several senior members of In-Flite's management — the new company will hold the rights to the Marriott In-Flite Services name for five years.

Its headquarters will be in the Washington suburb of Rockville, Md.

Altobello, a 10-year veteran of Marriott Corp., said that he plans no significant changes in policy and that he expects all

*(See **MARRIOTT**, Page 57)*

# Debt-laden Pantera's may sell Pizza Inns

**By Milford Prewitt**

DALLAS — Pantera's Corp. may be forced to start selling off its Pizza Inn and Pantera's Pizza units in a desperate bid to raise cash to pay its bills.

The company, which operates the industry's fourth-largest pizza chain, 660-unit Pizza Inn, revealed that its cash flow is so meager that unless its lenders and suppliers are willing to defer payments, it will start selling its 215 company-owned Pizza Inns.

The company has already closed nearly all of its 52 Pantera's units and has put 30 of them up for sale.

At the same time Pantera's is contemplating cutting its corporate and supervisory staff.

Pantera's move to sell assets came after refinancing negotiations with lenders broke down. The company said that it would continue to look for lenders to refinance its debt but that in the meantime it is searching for an investment bank to help it raise cash either through equity or the sale of assets.

If Pantera's creditors refuse to defer, the company said it fears its secured credi-

*(See **PANTERA'S**, page 57)*

Vote for Operator of the Year — MUFSO preview follows page F8

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## NEWS DIGEST

# McDonald's launches test of a reformulated McPizza

OAK BROOK, Ill. — McDonald's is plunging back into the pizza market with a new version of McPizza.

A new McDonald's restaurant in Evansville, Ind., is the first unit to test-market the 14-inch pizzas. And four stores in Owensboro, Ky., are renovating their kitchens to provide room for forced-hot-air pizza ovens and add windows that will let customers watch the product being made.

Despite several setbacks in the McPizza program, McDonald's executives have maintained faithfully that pizza is the best product available to the company for building its dinner business.

# Dunkin' accuses pursuer of misstating financing

RANDOLPH, Mass. — Sucked into a war of words with its unwanted Canadian suitor, Dunkin' Donuts has charged that the pursuer has not been telling the truth about its ability to fund a takeover of the doughnut chain.

In a complaint filed in a Massachusetts court, Dunkin' has alleged that DD Acquisitions, an investment unit formed by Toronto-based Kingsbridge Capital and Cara Operations, had falsely stated that it had secured $275 million in financing. In fact, Dunkin' asserted, DD has no "firm commitment" from lenders.

DD quickly dismissed Dunkin's charges as "totally baseless" and "just plain wrong." That same day DD announced that its $43-per-share stock tender offer had been accepted by the holders of 17.4 percent of Dunkin's common shares.

Since proposing an acquisition of Dunkin' several months ago, DD has sharply criticized its prey for rebuffing the overtures. The suitor has charged Dunkin's officers with irresponsibility and mismanagement.

# Vince Webb joins Rax in senior marketing post

COLUMBUS, Ohio — Vince Webb has stepped down as national marketing director of Marriott Corp.'s family restaurant group to join the Rax fast-food chain here as senior vice president of marketing.

Ira Hermann, Rax's new president, indicated that he chose Webb in part because of his experience in setting up local marketing programs for Marriott's Big Boy and Howard Johnson restaurants.

Rax has been operating without a senior marketing officer since Hermann's predecessor fired Dan Corrigan in January. The dismissal of Corrigan, who held the title of executive vice president, stoked a feud with Rax's franchisees over the chain's direction.

Webb had been with Marriott for 12 years.

# Domino's LA franchisee sells all 21 units

LOS ANGELES — A Domino's franchisee here said it has bowed out of the delivery chain by selling all 21 of its units in Orange County.

Cochran-O'Brien Corp. said 18 of the pizzerias were acquired by Domino's Pizza Inc., the chain's franchisor. The remaining three were purchased by other, unidentified licensees, Cochran-O'Brien said. Terms were not disclosed.

"We have had a long, happy, and successful relationship with Domino's Pizza," Patrick O'Brien, Cochran-O'Brien's chief executive, said in a prepared statement. "Now it's time for us to do other things."

# McNally to add Man Ray to NY restaurant group

NEW YORK — Brian McNally, the proprietor of such popular restaurants here as Odeon and Indochine, is expanding his roster by purchasing Man Ray, a highly rated bistro in the Chelsea region.

The price to be paid to current owner Joseph Shurley has not been disclosed.

The deal follows McNally's opening of 150 Wooster Street in the Soho art region.

# Bistro owner's killing sparks patrols, $25K reward

LOS ANGELES — Police patrols and private security have been beefed up in a fashionable neighborhood near Beverly Hills following the fatal shooting of restaurateur Andre Coffyn during a closing-hour robbery at his Michel Richard bistro.

Police said the gunman may be linked to a string of street holdups in the area, where scores of upscale restaurants are located. City Councilman Zev Yaroslavsky offered a $25,000 reward for information leading to the arrest of Coffyn's assailant.

Detectives said the restaurateur, 48, was killed without apparent provocation after he and several guests seated at a sidewalk table were robbed of their money and watches. Coffyn bought the business from Los Angeles restaurateur Michel Richard in 1987.

# Perkins plans purchase of units from Friendly

MEMPHIS, Tenn. — Perkins Family Restaurants L.P. said it would buy nine restaurants from sister operation Friendly Ice Cream Corp. for $4 million.

The units are located in Orlando, Fla., and are set to be converted to Perkins restaurants by year-end.

Tennessee Restaurant Corp. owns Friendly and is the managing partner of Perkins.

# *Glasnost* opens kitchen doors

## *Soviet chefs visit Northwest to learn entrepreneurship*

EDMONDS, Wash. — A band of Soviet chefs, believed to be the first culinarians to be allowed by the U.S.S.R. to visit the United States under the Soviet government's limited test of free enterprise, recently wound up a tour of the Northwest.

The itinerary followed by the visiting chefs included meals at two Seattle-area restaurants, Ray's Boathouse and Cutters Bayhouse, a fishing trip, visits to supermarkets, and a picnic.

The Soviet chefs, all from for-profit privately owned "cooperative" cafes, were hosted in this country by Peace Table, a grass-roots goodwill exchange group founded by Edmonds restaurateur Jerilyn Brusseau.

Peace Table, which paved the way for a delegation of U.S. chefs to visit the Soviet Union late last year, initially expected the Russian entrepreneurs to arrive in March, but a series of delays held them up until earlier this month.

## *New York operator to open restaurant in Soviet Union*

MOSCOW — A New York restaurateur has teamed up with the Soviet Union's state-run catering business and a New Jersey businessman to open what they say will be the Communist nation's first American-operated restaurant.

The 150-seat place, called TrenMos, is scheduled to open here Aug. 1 on an avenue leading to the Kremlin. The restaurant's creators are planning to feature such classic American dishes as apple pie à la mode, barbecued spare ribs, and New England clam chowder. The tab for a three-course meal is expected to average the Russian equivalent of $30 per person.

TrenMos — a contraction of Trenton and Moscow — is being structured as a partnership between restaurateur Mario Gattorna, businessman Shelly M. Zeiger, and the U.S.S.R.'s Lenin District Catering Trust. Gattorna operates Il Gattopardo and Il Sole restaurants in New York.

FINANCIAL NEWS

# Interest expenses reduce Marriott's 2nd Q profits

By Rajan Chaudhry

WASHINGTON — Marriott Corp. — the hotel, restaurant, and contract services giant — said the cost of servicing debt offset a healthy 12-percent rise in operating income, to $158 million, for its second quarter ended June 16.

Interest expenses increased 44 percent for the quarter, reflecting the company's heavier debt load — the result of a share repurchase program begun in 1987 — and higher interest rates.

As a result, Marriott's net income was held to $67 million, a mere 5-percent improvement from the year-ago figure, on a sales gain of 11 percent, to $1.89 billion.

Marriott's lodging unit produced the strongest showing of the quarter, lifting operating income 14 percent, to $89 million, with a 12-percent increase in sales, to $853 million.

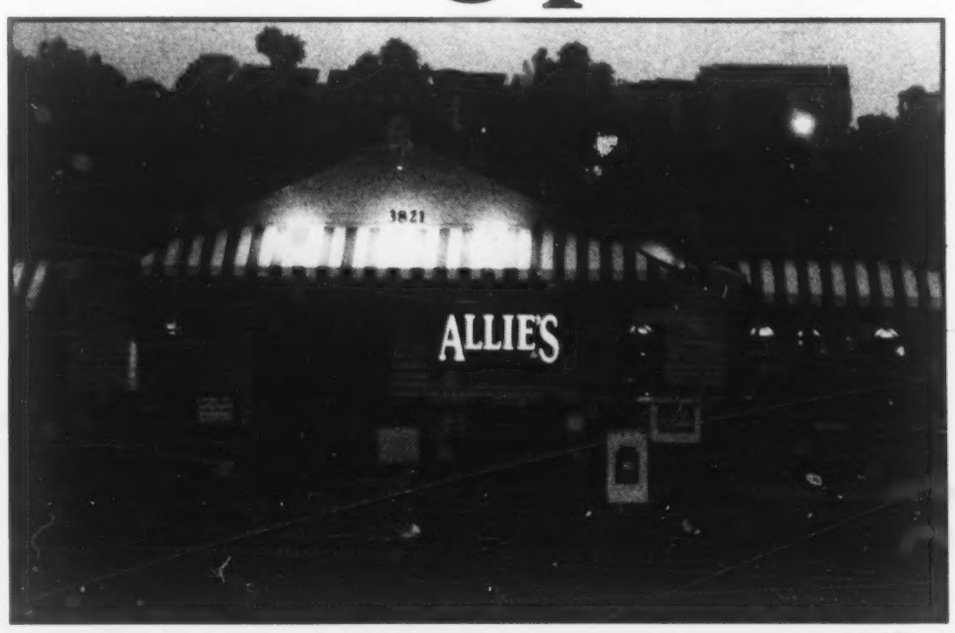
Lodging group sales were boosted by the addition of 89 hotels, totaling 15,300 rooms, during the past 12 months, the company said.

Although the division faced reduced business travel and overcapacity in some markets, it was able to raise occupancy and room rates during the quarter.

New promotion programs helped Marriott's Residence Inn operations, positioned for the extended-stay market, achieve comparable-unit occupancy gains of more than three percentage points, bringing occupancy rates into the low 80s, the company said.

Aided by expanded national advertising and distribution, the company's moderate-price brand, Courtyard, posted occupancy rates in the mid 70s, up two percentage points from the year-ago period.

And strong group business contributed to a one-percentage-point gain in occupancy for comparable Marriott full-service hotels, lifting occupancy rates into the upper 70s.




NRN Photo

**Marriott remains committed to its new Allie's concept.**

With the exception of its Roy Rogers fast-food fried-chicken operation, Marriott's restaurant division also fared well during the June-ended quarter, improving operating income by 12 percent, to $27 million, on a sales increase of 7 percent, to $245 million.

Roy Rogers was socked by severe competition and volume problems, Marriott said.

Marriott's travel plazas experienced solid traffic growth, it stated, buoyed by the conversion of 10 units to branded concepts over the past 12 months.

The travel plazas' brands include Roy Rogers, Burger King, Sbarro, Dunkin' Donuts, Mrs. Field's Cookies, Popeyes, Nathan's, Big Boy, Howard Johnson's, and TCBY.

The company continues to convert its Big Boy, Wags, and Howard Johnson's restuarants to the Allie's family-style concept, hoping to bring the number of Allie's to 100 by year-end.

For the second quarter, the family restaurants benefited from the contribution of 123 units acquired in 1988, Marriott said.

Marriott's contract services operations produced the smallest gains of the second quarter, largely because of lower profits for domestic airline catering and airport operations.

Contract services reported an 8-percent gain in operating profits, to $24 million, on an 11-percent sales gain, to $789 million.

Marriott has agreed to sell its In-Flite Services unit to an investor group led by Marriott alumnus Frederic Malek and president of Marriott Airport Operations Group, Daniel Altobello. Analysts estimated the sale would gross about $600 million.

Marriott said it plans to use the proceeds from the sale of In-Flite to pay down a portion of its $3.1 billion in long-term debt, half of which is at floating rates.

During the quarter Marriott acquired United HealthServ Inc., a facilities management concern, and bought a Quebec-based food-service company.

Marriott also bought a stake in Tennessee-based Corporate Childcare Inc., a provider of employer-sponsored child care, with an option to purchase the company in two years.

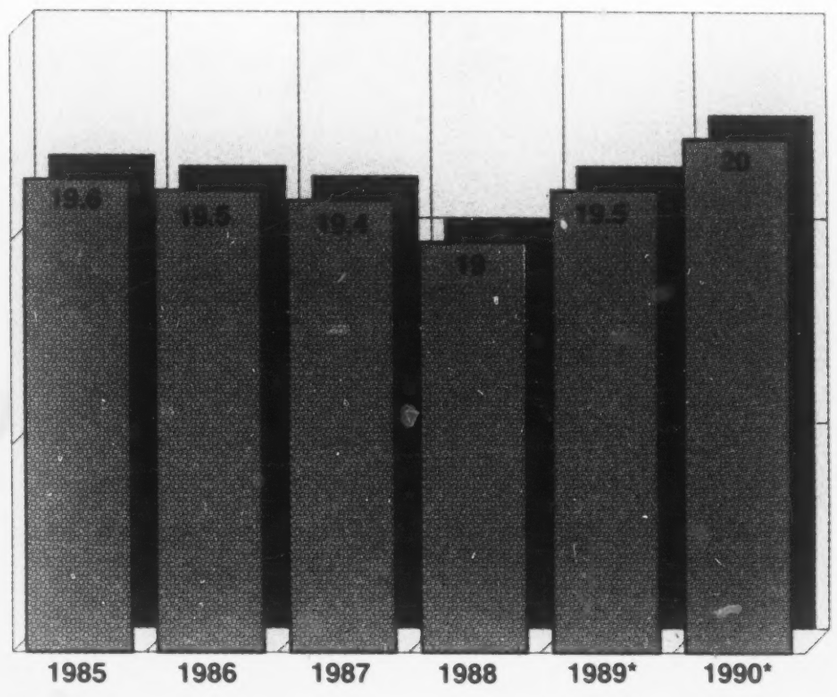
For the June-ended six months, Marriott's net income increased 4 percent, to $113 million, on a rise in revenue of 10 percent, to $3.67 billion.

## FACT FILE

*A look at the statistics shaping the industry*

### RESTAURANT OPERATING MARGINS REBOUND

(percent of sales)




*estimates
Source: Value Line Inc. Restaurant industry composite.

## FOOD PRICE OUTLOOK

### *Canned, frozen vegetable packs look good*

Production has cranked up for the canned and frozen vegetable pack in the Midwest, and according to packers, quality is good, with a large pack forecast.

**Corn, green beans,** and **peas** are all at estimates or near them. Although there has been a small carryover for all three, the large packs could mean reduced prices by September.

The California **canned tomato** and **tomato products** pack is expected to be as much as 20 percent higher than last year's, with Midwestern pack outlook also up nearly 30 percent, but prices are still stable at the old crop's high levels. Middle Atlantic states have had steady rains, reducing tomato growth, but even there most farmers are forecasting increases.

This country's dependence upon Brazilian **orange juice concentrate** may be reduced with a new orange variety developed by the U.S. Department of Agriculture. The new orange, called Ambersweet, is deeply colored and harvested earlier than most Florida oranges. It was developed for blending with other juices to produce a consistent color, a role now filled by Brazilian concentrate. The amount of Brazilian concentrate used here has been dropping over the past three years.

**Dried bean** prices continue high, with heavy export demand a major factor . . . The **almond** crop is smaller this year, with prices moving up . . . The **canned apricot** pack will be larger this year, but a small carryover means prices may remain fairly stable . . . The **canned-pear** pack will be larger, with some reduction in prices.

**Cheese** prices are expected to remain at present levels or increase. Much of processing-grade milk is going into butter or into the government's Commodity Credit Corp.

**Imported canned ham** prices have continued to rise. Overstocked conditions of importers have eased with a cutback in shipments from Europe.

## NRN FINANCIAL DIGEST

### IDQ boosts profits 20% in 2nd Q

MINNEAPOLIS — International Dairy Queen Inc. said net income advanced 20 percent, to $7.2 million, for its second quarter ended May 26, on a year-over-year revenue rise of 6 percent, to $74.4 million.

The company attributed the gains to new-product introductions, improved cost controls, and higher sales from new franchises and renovated units.

The chain noted that its new line of ice-cream cakes and logs was accounting for more than 10 percent of sales in many of the 2,000 Dairy Queen stores currently offering the products.

IDQ is also in the final stretch of testing new low-fat and non-fat yogurt products in 330 of its 5,100 stores.

For the May-ended six months, the company's net income increased 19 percent, to $10.5 million, on a 5-percent increase in revenues, to $125.7 million.

IDQ operates the Dairy Queen, Orange Julius, Karmelkorn Shoppes, and Golden Skillet franchise systems and recently bought a 60-percent stake in Staff One Inc., a six-unit personnel-placement firm based here.

### Unit closings to trim Frisch's gain

CINCINNATI — Frisch's Restaurants Inc. said a $500,000 write-off from the closing of eight unprofitable Big Boy restaurants would reduce a $900,000 gain from an accounting change for its fiscal year ended May 28.

The company, which has yet to report its year-end results, said it decided to close the units to eliminate continuing losses. The restaurants targeted for closing had pre-tax losses of about $1 million for the year, Frisch's said.

The company's gain is the result of its adoption of Financial Accounting Standards Board Standard 96.

### General Mills establishes ESOP

MINNEAPOLIS — General Mills Inc. said it has created a new Employee Stock Ownership Plan for employees of its Red Lobster and Olive Garden restaurant operations.

The company said it would use borrowings of $50 million to purchase about 750,000 General Mills common shares from its treasury.

That transaction, combined with a previously announced company ESOP, will drop General Mills' common shares outstanding to about 83 million.

### Holiday unit sells two J-V hotels

MEMPHIS, Tenn. — Embassy Suites Inc., which is a subsidiary of Holiday Corp., and GE Investments, a unit of General Electric, said they closed the sale of two jointly owned hotels to Embassy Pacific Partners L.P. for a total of $87.6 million.

The hotels are located in Crystal City, Va., and Santa Clara, Calif.

# FOCUS | OPINION

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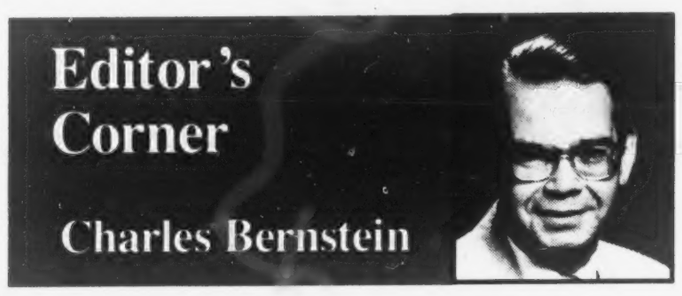
# Safety first: Slow the pizza delivery pace

How fast is too fast?

Speed of service unquestionably remains an essential ingredient for fast feeders. Customers complain if a fast feeder does not live up to its name, whether calling itself a quick-service restaurant, a family restaurant, or anything else.

In most cases the order must be ready within a minute or two, or the customer becomes a prime candidate not to return.




Speed of a different sort is more of a priority for the couch potatoes and many others who want to order from the comfort of their homes. Some anticipate almost instantaneous delivery, perhaps within a few minutes of hanging up the phone.

Realistically, most expect basic orders such as pizza and soft drinks to arrive within 20 to 30 minutes, unless they live in the boondocks many miles away — an unlikely prospect in this age of proliferating home-delivery operations. It is difficult to envision any area in the continental United States that is inaccessible to home delivery; perhaps there are a few homes somewhere in the rapidly disappearing woods or forests.

Pizza delivery is soaring faster than we can track it. Domino's Pizza still is the leader with 5,000 units dedicated solely to home delivery. Pizza Hut, Godfather's Pizza, Mr. Gatti's, and a host of others are jumping on the bandwagon as fast as they develop the necessary systems — not nearly as easy as people think.

The net result is that America has a love affair with pizza and with pizza home delivery. A family can remain at home and watch the VCR, entertain, relax, or do whatever they want with maximum convenience, never having to drive anywhere to pick up the pizza.

Fierce competition continues on devising the fastest preparation systems and the speediest delivery methods. Domino's can prepare its orders in seven or eight minutes.

No responsible chains like these would tell a driver to speed or drive recklessly. They usually tell a driver to proceed with caution but to get the order there within a 30-minute guarantee period.

Some of the delivery drivers — mostly in their late teens and early 20s, but some middle-aged and older — zip along at a pace well above the speed limit. Of course, 99 percent of the time everything is fine, and the order, the vehicle, and the driver arrive in good shape. It is that other 1 percent which is so scary.

Just often enough to be frightening, accidents, injuries, and fatalities do occur. In the wide-ranging Domino's network, Domino's drivers have been either directly or indirectly involved in or responsible for 21 fatal accidents in the past 12 months. All or most of these presumably occurred while the driver was rushing to fulfill a delivery commitment.

If one talks to any of the young driver-deliverers, one quickly learns that they whiz from one place to another throughout a period ranging anywhere from three to eight hours at a time, thereby tending to reduce their alertness. Most of the drivers are fine people who would never dream of hurting anyone.

Perhaps the stereotype of a reckless pizza delivery driver is wrong and the typical driver is more like Juliet Maurer, a heroic University of Texas student. Earlier this month, Maurer heard screams while delivering a Mr. Gatti's pizza in Austin, ran to the scene, and revived a two-year-old boy who had suffered a seizure and had stopped breathing.

Unfortunately, some of the drivers feel compelled to rush around faster than is safe. A segment of the monthly video series, "Restaurant Insights," in 1987 graphically depicted pizza deliverers whizzing around their routes at a breathtaking pace. This was portrayed as efficiency and dedication, but it also can be dangerous.

Domino's is now enforcing a policy of barring its 1,600 company units from using any drivers under 18 and has strongly recommended that franchisees do likewise. This means that some 16- and 17-year-olds will be terminated or reassigned, and it is a step in the right safety direction.

However, it by no means solves the problem. More than anything else, it substantially reduces the insurance liability premiums that Domino's has to pay its own insurance company, which it previously established as the only feasible means of obtaining coverage.

Domino's is continuing its guarantee of deducting $3 from the price of any order not delivered within 30 minutes of being phoned in. The chain generally instructs drivers to take it easy on the road and not to worry about the $3 that may have to be deducted from the bill. Domino's does not give the guarantee if a home is more than a regular 10-minute drive from the unit.

Still, we feel that the best means of preventing accidents and presenting a responsible image to the public is to simply abolish the $3 discount for orders not delivered within 30 minutes. Godfather's Pizza has taken this action at its company-owned units after having emulated the Domino's 30-minute guarantee plan as so many have done. Domino's should now emulate Godfather's on this aspect.

"Regardless of whether the delivery guarantee was a factor or not in accidents," observed Godfather's president Herman Cain of his own chain's experience, "it might be perceived to create safety concerns. Thus we have discontinued our delivery discount offer."

Safety must become the absolute priority — even if speed and customer home-delivery convenience have to be sacrificed. If 20 lives or one life can be saved by eliminating the 30-minute guarantee, this will be worth it. And 90 percent of the orders will still arrive within 30 minutes, without the driver feeling compelled to keep pressing harder on the accelerator.

## LETTERS

### *Hospitality students deserve broad education*

Editor, NRN:

Concerning your Editor's Corner column on "Educational Funk," a four-year college or university is in the business to do more than just prepare students for a future job in the hotel and restaurant industries.

Companies want thinking, educated individuals who are able to change as the industry changes. This happens when a student receives a total well-rounded education that will stay with them for their whole lives.

It is my opinion that it is taking the narrow view to think that the entire world revolves around training someone to be in the hotel and restaurant business, especially since almost a third of hotel and restaurant students are no longer even in the industry 10 years after they get their degrees.

Having been a student at UNLV and graduating from FIU with a B.S. and M.S., I can say that it was a lot more than the quality of the foods or computer labs, the placement rate, or the degrees of the faculty that I benefited from.

It was those classes (many of which were not in hotel or restaurant management) that caused me to think and utilize my capabilities that I benefited most from. They might have been in English literature, political science, or marriage and family.

Relevant curriculum is important, but so is a broad-based one. Having been a hotel general manager, I am not speaking as some head-in-the-clouds educator. The job of a college or university is to prepare young people for society, not just provide a technical or vocational orientation.

Many excellent hospitality industry companies often hire liberal arts or business graduates who might never have taken a hotel and restaurant management course because they have the potential to be trained easily.

As a faculty member in the RHI program at Purdue University, I feel it is my obligation to cover more than just front office, housekeeping, or cost control procedures. These can be taught while a student is doing an internship, or during the company's training program.

We have recently restructured our curriculum to ensure that all students have a solid base of knowledge from which to work and are not just saturated with all courses on hotels, restaurants, or tourism.

**— Howard Adler**
*associate professor*
Purdue University
Department of Restaurant, Hotel and Institutional Management
West Lafayette, Ind.

### *It pays to pay attention at convention seminars*

Editor, NRN:

Many thanks for running the article on my seminar at the NRA Show. I thought Tracey's article was excellent. She really paid attention!

**— Thomas Costello**
*consultant*
Thomas Costello and Associates
Claremont, Calif.

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FOCUS
Regional chains try new frontiers
Focus section follows page 34

EQUIPMENT
Tableside carts bring food prep to spotlight
Patt Patterson/Page 18

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Charles Bernstein/Page F3

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NEWSPAPER

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*The Weekly Newspaper of the Food-Service Industry*

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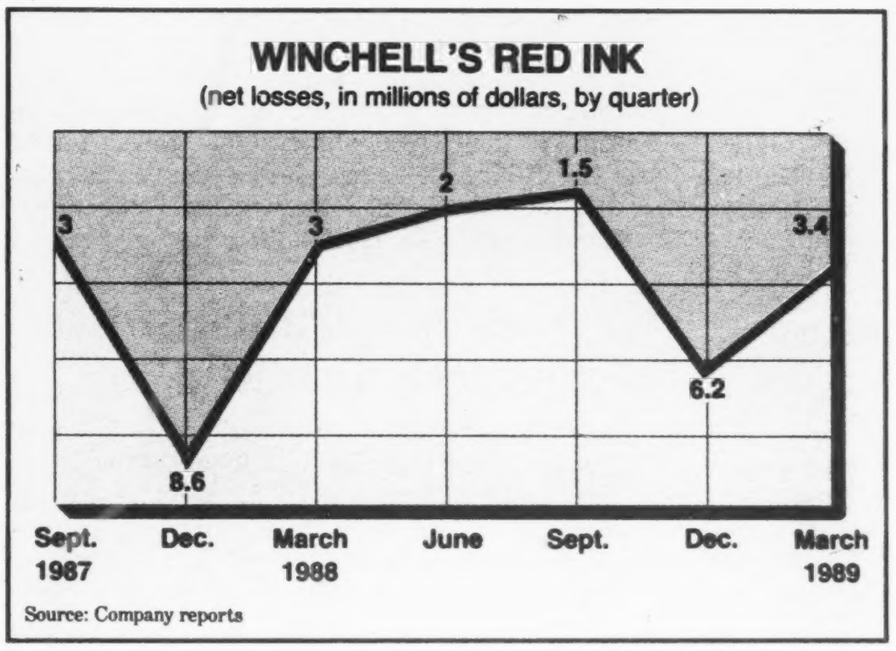


# McPIZZA?

## *McDonald's widens pizza test; pizza operators gird for assault*

**By Rajan Chaudhry**

EVANSVILLE, Ind. — McDonald's Corp., operator of the world's largest fast-food chain, is expanding its test of pizza here, and pizza operations nationwide are bracing for the worst.

"We're ready to give them a fight with everything we've got," vowed Steve Reinemund, president of the world's third-largest chain, Pizza Hut.

McDonald's, which began offering a 14-inch, round, traditional-style pizza in a single franchised unit here earlier last month, will expand its test to about 15 restaurants in Evansville and nearby Owensboro, Ky., within about six weeks, according to local unit managers.

Its latest pizza product is offered in four varieties — cheese, pepperoni, sausage, and deluxe, which sports cheese, sausage, pepperoni, green pepper, onion, button mushrooms, and tomato slices, said Melissa Oakley, McDonald's representative. The pizzas are priced from $6 to $10.

Reinemund

Cain

Bergren

Rensi

**McD's latest quarter:**
Net income, up 11%
Revenue, up 9%
System sales, up 5%
News Digest, page 2

The fast-food giant's foray into the $8.2 billion pizza segment comes at a time when price-slashing strategies among its Big Three — Pizza Hut, Domino's, and Little Caesar's — are leading the weak to slaughter.

"There are just too many pizza companies out there," said Herman Cain, president of Godfather's Pizza, "and God bless them, but some are going to have to go away."

Only last month, cash-strapped Pantera's Corp., which operates the nation's fourth-largest pizza chain, disclosed that it was unable to pay $4.6 million in past-due debt payments and that it would start selling units to meet its financial obligations.

The impact of 10,700-unit

*(See McD, page 91)*

# Canadian company acquires Winchell's

**By Richard Martin**

LA MIRADA, Calif. — A Canadian restaurant firm has agreed to pay $40 million to buy loss-plagued Winchell's Donut Houses Operating Co. L.P. from 42-percent owner Denny's Inc. and the doughnut chain's other partners.

The agreement comes six weeks after Denny's parent TW Services succumbed to a $1.7 billion takeover by Coniston Partners.

The 657-unit Winchell's outfit, which has posted losses averaging $1 million per month for more than two years, would be acquired by Shato Holdings Ltd. of Vancouver, British Columbia, under the terms of a letter of intent with the limited partnership.

Privately held Shato currently operates 63 Kentucky Fried Chicken units, 31 White Spot family restaurants, and

*(See WINCHELL'S, page 91)*

# Mayer flies KFC coop; Pepsico names Cranor

**By Milford Prewitt**

LOUISVILLE, Ky. — Richard Mayer, Kentucky Fried Chicken's chairman and chief executive officer and one of the engineers of the chain's impressive turnaround in the late 1970s, has resigned to become president of General Foods USA, the packaged-goods company.

John M. Cranor III, a veteran executive of Pepsi-Cola Co., KFC's parent, has been named Mayer's successor as president and chief executive. Cranor was formerly president of Pepsico East, a bottling and distribution operation.

In another development at Pepsico, the company has hired Kyle Craig, a former

Mayer

Cranor

chief of the Burger King, Steak & Ale, and Bennigan's operations for Pillsbury Co., as an adviser in an undefined capacity.

Cranor, 42, is a Harvard M.B.A. graduate who began his career at Pepsico in 1977 as a marketing group manager at Frito-Lay. He could not be reached for comment.

Cranor's first management

*(See MAYER, page 4)*

**FOOD WATCH**

## *Bastille meal*

**GRANITE SPRINGS, N.Y. — Celebrating the French bicentennial, Maxime's Restaurant Français served up a seven-course Bastille day meal of traditional, Provençal specialties not unlike what Marie Antoinette might have eaten before her date with the guillotine.**

**Chef-owner Maxime Ribera kicked things off with a terrine of sweet breads and foie gras served with a petite, mixed-greens salad, followed by a cassoulet of lobster, shrimp, and mushrooms in a lobster cream sauce. Next up was fillet of**

*(See FOOD WATCH, page 4)*

# K-Paul's takes Manhattan

## *Prudhomme teams with Ark group*

**By Milford Prewitt**

NEW YORK — Internationally acclaimed Louisiana chef Paul Prudhomme and Ark Restaurant Corp. have teamed up to open a Manhattan version of Prudhomme's famous New Orleans haunt, K-Paul's Louisiana Kitchen.

The restaurant, to be called K Paul's New York, is scheduled to open next week in the site of the former Big Kahuna, the 1960s, California-beach-themed disco-nightclub that also was owned and operated by Ark. The Big Kahuna was shut down and its space renovated and redecorated to make way for the new venture.

Prudhomme

Ark Restaurants owns or manages about 20 distinctly themed, full-service restaurants. All but three of them are in Manhattan.

Located on lower Broadway at Houston Street, the 120-seat K Paul's New York is directly across the street from

*(See K PAUL'S, page 91)*

VOTE FOR MUFSO OPERATOR OF THE YEAR — Ballot follows page 32

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Vol. 23, No. 31

July 31, 1989

# NEWS DIGEST

## Jerrico cuts office staff by 10% in cost-saving push

LEXINGTON, Ky. — Jerrico Inc., operator of the Long John Silver's quick-service seafood chain, has laid off 10 percent of its headquarters staff in a move to tighten operating costs.

Among the 61 discharged employees were two corporate vice presidents, according to spokesman Bruce C. Cotton. The others held a variety of positions, he said.

The dismissals were the first in the company's 20-year history, Cotton said. "We've been looking for ways to take costs out of our business for some time," he commented. "We've cut costs in the field and in our food products. The next [target] was our corporate overhead."

Analysts estimated that the headquarters layoffs would save Jerrico more than $1.5 million annually.

## McDonald's profits rise 11% despite soft systemwide sales

OAK BROOK, Ill. — McDonald's Corp., which operates and franchises 10,720 fast-food hamburger restaurants, said net income improved 11 percent, to $196 million, on a revenue rise of 9 percent, to $1.55 billion, for the second quarter ended June 30.

Despite the rollout of its McChicken sandwich to U.S. stores in May, McDonald's systemwide sales increased only 5 percent, to $4.34 billion, in the latest quarter.

The company blamed the economic environment, a reduction in consumer spending, discounting by the competition, and weak performance in the Oil Belt for its slow U.S. sales.

For the six months ended in June, McDonald's posted an 11-percent year-over-year increase in net income, to $337.7 million, on a 10-percent increase in revenues, to $2.93 billion.

Systemwide sales improved 7 percent, to $8.27 billion.

## Chicago's Le Prince closes after high prices chill sales

CHICAGO — Le Prince, the high-priced French restaurant in the Swiss Grand Hotel here and a cousin of Restaurant Lafayette in New York's Drake Hotel, has closed because of slack traffic.

Executives of Swissôtel, the Swiss Grand's operator, attributed Le Prince's lack of business to a poor understanding of Chicago consumers, who balked at paying $100 per person for dinner. Many high-end restaurants have recently reported traffic declines stemming from a heightened consumer price sensitivity.

Le Prince's menu was drafted by renowned French chef Louis Outhier, who continued to oversee the place as executive chef.

Swissôtel also manages the Lafayette hotel in Boston. Another luxury property is being developed in Atlanta.

## Nestle plans withdrawal from Swissôtel venture

ZURICH, Switzerland — Nestle S.A., the multinational conglomerate based here, said it plans to pull out of Swissôtels, a joint-venture whose U.S. lodging properties are noted for having top-rated restaurants.

Nestle said it split with SwissAir, the airline that owns 51 percent of Swissôtel, because it failed to derive synergistic benefits from the venture. SwissAir said it would seek another company to assume Nestle's 49-percent interest in the partnership.

Swissôtels' inns operate in the United States under the name Lafayette and Swiss Grand.

## Mike Ditka to cut ties with Ditka's Trackside

ARLINGTON HEIGHTS, Ill. — Mike Ditka, the Chicago Bears coach who lent his name to Ditka's Trackside Restaurant here, is severing ties with the place in September.

The restaurant, which doubles as a thoroughbred racing wagering facility, will be renamed "Trackside." The attraction of Ditka and the Bears was secondary to horse racing, said Jim Rittenberg of JR Enterprises, which originally managed the facility.

## Krystal eyes franchising of double-drive-only

CHATTANOOGA, Tenn. — The Krystal Co., operator of the 233-unit Krystal fast-food hamburger chain, said it would begin franchising a drive-thru-only version of its concept later this year.

The drive-thru-only units feature a new building design and offer a limited menu comprising Krystals hamburgers, fries, drinks, and its new breakfast sandwich, the Sunriser, said Ted Murphy, Krystal's vice president of marketing.

## Dunkin' bows to demands of its unwanted suitor

RANDOLPH, Mass. — In a swift parry of an unwanted pursuer's legal challenge, Dunkin' Donuts has bowed to demands for the disclosure of financial information without actually issuing any additional details.

The hostile suitor, DD Acquisitions, a partnership of Toronto-based Cara Operations and Kingsbridge Capital, filed a court complaint accusing Dunkin' of violating securities laws. DD said Dunkin' illegally appended a government filing with an investment guide's predictions of the doughnut maker's earnings. The Canadian company demanded that Dunkin' rectify the situation by releasing its own financial projections.

Dunkin' chairman Robert Rosenberg quickly responded by saying that the Value Line investment guide's projection of a 52-percent profit rise, to $22 million, "is consistent with the company's internal projections." No further details were issued.

## *Shakey's names Stone president*

**By Alan Liddle**

Gene Stone, former chairman of Seattle-based Skipper's Inc., was named president of 220-unit Shakey's Pizza Restaurants, returning to a chain he once helped expand from less than 10 restaurants to several hundred.

Among his first duties will be organization of the movement of the chain's domestic headquarters from the Dallas area to somewhere in the San Francisco Bay Area, where the international branch is located, he indicated. He also will move to develop company restaurants, he said. There are currently no corporate-owned Shakey's.

Stone, 51, was hired to head up Shakey's by officials of Inno-Pacific Holdings, the Singapore company that bought the pizza chain earlier this year. He will assume the presidency and additional title of chief operating officer this week and said he looked forward to helping revitalize the chain, America's oldest franchised pizzeria concept.

"It has always bothered me that [Shakey's] hasn't done better than it has," said Stone, who left the pizza chain in 1969 after rising to the rank of vice president of franchising and company-store operations. "I like to say that Shakey's was the first name in Pizza and that I'd like it to be the last name in pizza."

Stone resigned from fried-fish specialist Skipper's after 17 years in late 1987 at a time when the board was growing anxious about the chain's mediocre financial performance; during his years at Skipper's, Stone expanded the chain from 12 units to more than 200. He said recently that he resigned because it was "time to do something else."

Before joining Skipper's, Stone did stints in executive positions with Long John Silver's and Lum's.

FINANCIAL NEWS

# Menu prices advance despite easing costs

By Rajan Chaudhry

WASHINGTON — Although food-cost inflation eased at the nation's restaurants and bars in June, slow sales growth prevented operators from checking the advance of menu prices, government figures suggest.

Wholesale food-price inflation slowed to 5.4 percent in June from a 7.1-percent year-over-year clip in May, according to the U.S. Labor Department's Producer Price Index for finished consumer foods.

But menu prices increased at a 4.6-percent unadjusted rate, about the same rate as in each of the five previous months, according to the department's Consumer Price Index for Food Away From Home.

And sales grew at a 5-percent nominal rate, down .6 percentage points from the rate of gain logged in May, and barely strong enough to cover the general rate of inflation, according to the Census Bureau.

Almost as disturbing for restaurateurs, supermarket price inflation slowed in June to 7.3 percent from 8.1 percent in the previous month.

"We are in battle with the supermarkets, and the supermarkets are only now beginning to wake up," said foodservice consultant George D. Rice, chairman of GDR Enterprises Inc.

"Food costs look to be fairly reasonable this year," he said, "but the whole issue is that, as our costs do increase — particularly with fast-food chains — we have to keep an eye on supermarkets. They're providing some really terrific options these days, and more and more they're going to get into [the industry's] knickers."

*'We are in battle with the supermarkets, and the supermarkets are only now beginning to wake up.'*

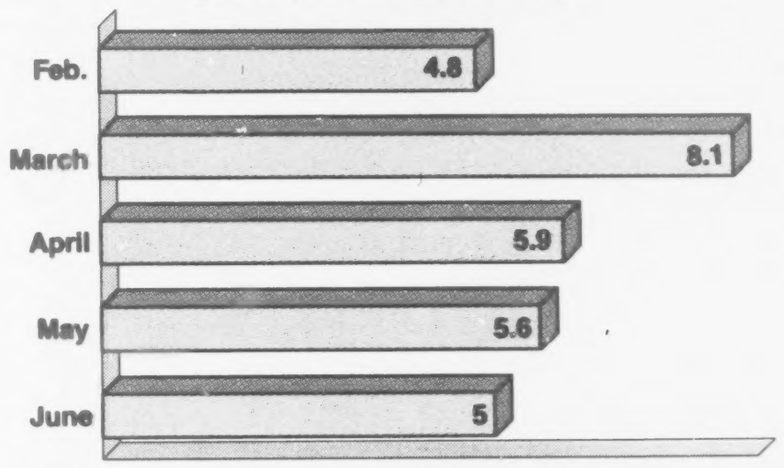
Lunch tickets led June's price hikes, advancing 4.9 percent, according to the Labor Department, followed by dinner checks, up 4.6 percent, and prices of other meals and snacks, up 4.5 percent.

Among the top movers at the producer level, fresh and dried vegetable prices increased 42 percent, the cost of eggs was up 36 percent, processed turkey prices shot up 33 percent, and fresh fruit costs climbed 20 percent.

A handful of commodities, including milled rice, fish, and shortening and cooking oils, fell in price compared with last year.

**SALES GROWTH RATE SLOWS AT EATING AND DRINKING PLACES**

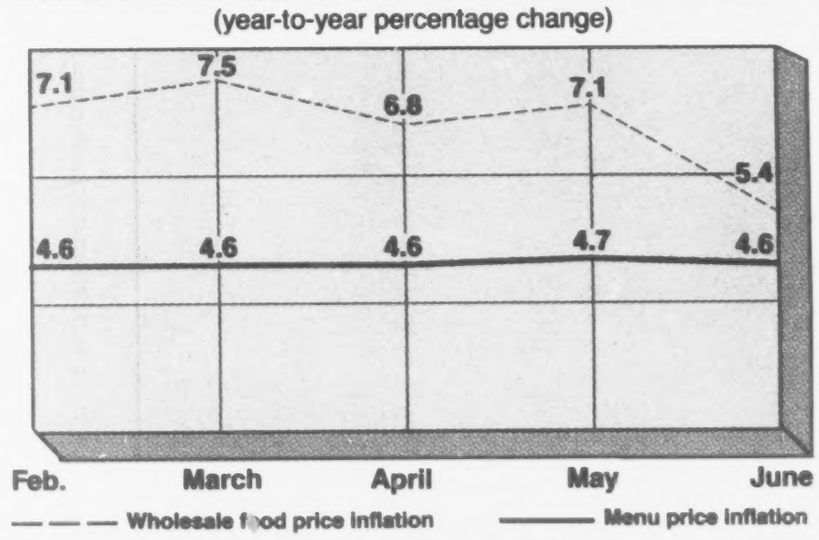
(year to year percentage change)




Source: U.S. Census Bureau. Figures are not adjusted for inflation.

**MENU PRICE INFLATION HOLDS STEADY DESPITE EASING FOOD COST PRESSURES**

(year-to-year percentage change)



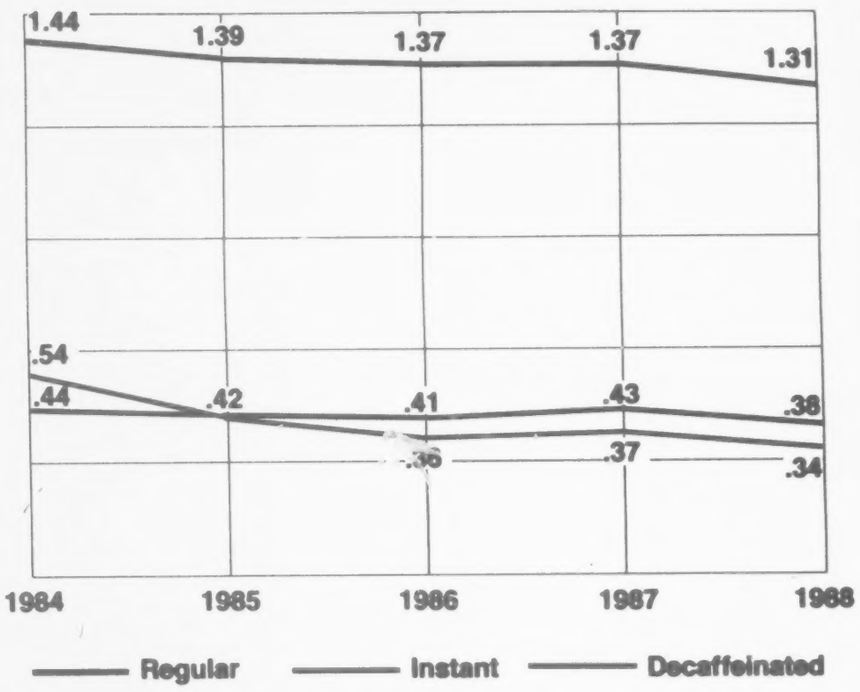

Source: U.S. Department of Labor. Figures are not adjusted.

## FACT FILE

*A look at the statistics shaping the industry*

**COFFEE CONSUMPTION COOLS**

(cups per person per day)




Source: The Lempert Report/National Coffee Association

## NRN FINANCIAL DIGEST

### Uno boosts earnings 94% for 3rd Q

BOSTON — Uno Restaurant Corp. said a 50-percent increase in franchise income and comparable-store sales growth of almost 10 percent contributed to a 94-percent improvement in net income, to $818,000, for its third quarter ended July 2.

Revenues for the latest quarter advanced 44 percent, to $11.4 million, the company noted.

Operating income as a percent of sales increased to 23 percent, three percentage points better than in the preceding quarter and almost four points better than in the same quarter of last year.

Through the first nine months of the year, net income increased 55 percent year-to-year, to $2.1 million, on a 42-percent rise in revenue, to $30.8 million.

Uno operates about 25 company and 33 franchised Pizzeria Uno casual-theme pizza restaurants.

### Benihana nets $1.7 million for year

MIAMI — Benihana National Corp. rebounded from a loss of $6.4 million in fiscal 1988 to post a net profit of $1.7 million for the year ended March 26, 1989.

The results for the latest year include a $140,000 gain on the disposition of the company's frozen foods operation. Last year's deficit included a $2.6 million loss from the frozen-foods operation as well as a $1.6 million loss on the disposition of the business.

Sales for 1989 improved 6 percent, to $34.8 million, over last year's. For the fourth quarter net income was $272,000 vs. a loss of $2.4 million in the year-ago quarter. And sales for the latest quarter improved 13 percent year-over-year, to $8.9 million.

The company said it opened three new Benihana Japanese-style restaurants in fiscal 1989, bringing the total to 20. It also said it plans to open two smaller versions of the Benihana concept — called Benihana Cafes — in New York.

### Ryan's profits up 8% for 1st half

GREENVILLE, N.C. — Ryan's Family Steak Houses Inc. said a 44-percent increase in revenues from franchised restaurants and a 5-percent drop in general and administrative costs combined to lift the company's net income 8 percent, to $10.3 million, for its first half ended June 28.

Revenues for the first half increased 24 percent year-over-year, to $115.6 million.

And net earnings for the June-ended second quarter rose 8 percent, to $5.6 million, on a 23-percent increase in revenues, to $62.4 million.

The company, which owns 104 Ryan's Steak House Restaurants and franchises 28, said it plans to open a total of 14 new company restaurants and six new franchised restaurants by year-end.

## FOOD PRICE OUTLOOK

# *Drops seen in some food prices*

Not all food prices are going up. Over the past few months, prices of a number of items have dropped, including those for most **fats** and **oils, butter, raw rice,** and **green coffee beans.**

**Coffee** has dropped in price because the International Coffee Organization could not settle on quotas. As a result, world prices plummeted, but observers don't expect the condition to continuing long. U.S. roasters are now buying at the lower prices for fall roasting, so prices later this year should reflect some reduction.

**Beef** and **pork,** on the other hand, have confused agri-economists, who predicted that prices would decline slowly during the summer. Instead, they remain above last year's and are slowly moving up. Now forecasts are for some slackening in price by fall.

Not all the news is good, however.

Frozen **cod** blocks and slabs, the raw material from which portions are cut, are holding in price, but demand is running close to supplies. Lowered imports from Canada could put the boost on prices by fall, when a normal slowdown occurs.

The price of **California avocados** will continue higher than normal through next year. In April growers were hit by an unseasonal hot spell, which caused blossoms to drop. This year's crop is already below last year's, and the carryover to next year will be small, making supplies tighter. Good Florida supplies and anticipated strong imports from Chile in the fall should keep prices from jumping.

With **strawberry** farmers getting good prices on the fresh market, the Oregon crop down sharply, and that of Washington state late, freezers have not been getting the fruit they expected, so the frozen pack is running under budget, especially for the Northwest varieties. Expect this winter's prices to be higher.

**— Patt Patterson**

# FOCUS | OPINION

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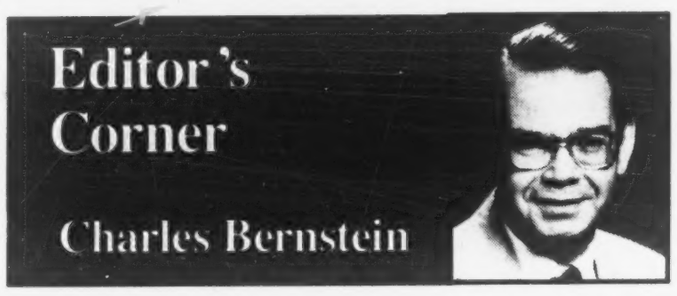
# Directors' challenge: No rubber stamps

Boards of directors at restaurant companies and most other corporations too often have been satisfied to rubber-stamp the decisions of chief executives. They have defaulted on their obligations to make decisions, exercise real force, and counter any executive excesses.

The boards have tended to let management run roughshod or permit stockholders to call the shots. However, boards should not merely affirm management actions or the desires of stockholders; they must make tough choices even if not popular.




Too many boards are dominated by insider executives. While some of them are needed to provide the full background on what is happening, at least two-thirds of a board should consist of outsiders who have the expertise and the objective insight to provide fresh viewpoints. A mix of new thinking is desirable so that the same board members do not prevail year after year.

An encouraging development is a Delaware court's ruling, subject to an appeal and final decision by the Delaware Supreme Court, that Time Inc. can merge with Warner Communications after all. This blocks Paramount Communications (formerly Gulf + Western) from taking over Time.

Although Paramount's latest bid of $200 a share to acquire Time considerably outshines Time's amended $70-a-share $14 billion offer to acquire Warner, the court ruled that Time's and Warner's directors have the right to decide what is best for their respective companies. This thinking goes counter to previous decisions that the highest price wins and that what is best for the stockholders is all that really matters.

The court held that "corporation law does not operate on the theory that directors, in exercising their powers to manage the firm, are obligated to follow the wishes of a majority of shares. Directors, not shareholders, are charged with the duty to manage the firm."

It might also be added that directors, not corporate management, must have the final say in how a company is run. The directors are more objective and have been voted into office by the stockholders.

The court in effect discounted the notion that Time's board, including its top executives, acted to protect its jobs, which presumably would be retained in various capacities under a previous agreement with Warner and would almost certainly be lost in a Paramount takeover.

Boards in general have become more assertive. General Motors' directors, previously a mere reflection of corporate management, finally rose up to oust H. Ross Perot from the board and block chairman Roger Smith from adding three more inside managerial directors.

In the food-service field, Pillsbury's board axed chief executive John Stafford and restaurant group chairman Jeffrey Campbell last year, before Grand Met of England acquired the corporation. RJR Nabisco's board, which previously had raised hardly a peep at chief executive Ross Johnson's actions, turned down his $25 billion bid to purchase the company and accepted virtually the same deal from Kohlberg Kravis Roberts.

A prime example of a gutsy board is that of Dunkin' Donuts, which has been standing fast against the efforts by Cara Operations Ltd., a wide-ranging Canadian operator of diverse restaurants and a major contract feeder, to acquire Dunkin' with financing from the Kingsbridge Capital Group. The $43-a-share offer may be an attractive one for stockholders, but it could result in the dismantling of Dunkin's management, which has astutely operated the chain.

Wendy's problems well may have been caused by a subservient board that does not have enough outside directors experienced in food-service or large-volume companies. Five of Wendy's 13 board members are executives of the chain, and most of the eight outsiders have been on the board for at least seven years.

Perhaps Wendy's board has not been showing objectivity. This point is debatable, and Wendy's would undoubtedly maintain that the company has received the right guidance from the board.

However, the fact remains that a board should reflect independent, individualized thinking for the benefit of the entire company and for the successful operation of its food-service units.

Horn & Hardart's board, which had long been a rubber stamp, finally took action and dismissed chairman and chief executive Barry Florescue last year. The board recently added three more outside directors and took a firm stance, under pressure, to prevent alleged inflated executive salaries and other executive power abuses.

The board of Twistee Treat, a 45-unit Florida ice-cream chain, dropped its president, Steven Townes, and its chief financial officer, Joseph Whelan, six months ago. The loss-plagued chain has now filed for Chapter 11 reorganization. More than a few companies have tried to overcome the "problem" of having a strong board by going private — a situation where corporate management can more easily dictate what it wants.

A more responsible solution is to put the power in the hands of capable outside directors who will make objective decisions. If this had been done in such companies as Sambo's and Victoria Station, they might not have failed. Insiders dominated the boards, dictated what they wanted, and achieved their wishes almost without recorded opposition. Unfortunately, outside directors did not act to prevent executives from veering off in the wrong directions.

Management expert Peter Drucker once observed: "There is one thing all boards have in common. They do not function." This was largely true until the last two years, but it is changing and should continue to change.

It is incumbent on public companies today to ensure that their boards are dedicated to help achieve full development and profit potential without catering to the personal interests of executives and stockholders.

## *LETTERS*

### *Operators must accept their responsibilities*

Editor, NRN:

Once again, you've identified a key issue in which America's restaurant operators need to "wake up and smell the coffee."

Your June 26 Editor's Corner column on the solid-waste disposal crisis should strike a chord in all who read it. Instead of the food-service industry acting like the tail on the dog, it's time it took a proctive leadership role. There are many ways in which this can be accomplished.

In our role as "consumers," we can demand products from our suppliers that are biodegradable or, at least, recyclable. Recycling can be cumbersome and time consuming, but this attitude will change quickly, as the cost of trash removal skyrockets because of overloaded landfills.

The restaurant industry in America enjoys great prosperity, but with that prosperity comes responsibility. It's our turn to give something back.

**— Philip J. Hickey**
*president*
Cooker Restaurant Corp.
Nashville, Tenn.

### *Cheers to restaurant on behalf of the panda*

Editor, NRN:

I have spent seven years in the restaurant business as a waitress, and I have seen many instances of generosity on the part of restaurant owners. However, this last week I was in Palm Springs, and I was touched by what a restaurant is doing to save the endangered panda bear.

The restaurant's name is the Hard Wok Cafe, and this is what is being done. The menu lists an item called Giant Panda Potstickers. For each order of these sold, 5 percent of the sales of this item is donated to save the giant panda. The money goes into a fund at the San Diego Zoo, which will help in the captive reproduction of this beautiful animal. Such concern should not go unnoticed.

You may think this is of no consequence. As an animal loveer and activist, I feel that acts like these can combat the elimination of species. I hope your newspaper feels the same.

Thank you for listening to this tidbit of what I think is newsworthy information. I can only hope you feel the same way, so that you will stimulate other restaurant owners through press and advertisement.

**— Marie E. Campbell**
North Hollywood, Calif.

C5150-5

**PURCHASING**

***Suppliers are allies in Ritzy's R&D***

Patt Patterson/Page 28

**FOOD**

***Language of menu undergoes changes***

Florence Fabricant/Page 11

**EDITOR'S CORNER**

***...ons ...evels***

Charles Bernstein/Page F3

NEWSPAPER

SECOND CLASS

Nation's Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

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# THE NRN TOP 100

# Big chains battle for market share

**By Peter Romeo**

Despite the wholesale theft of business from smaller players, a sobering number of the nation's leading restaurant chains are reeling from declines in traffic, systemwide sales, and unit tallies, according to Nation's Restaurant News' Top 100.

The study, which ranks industry pacesetters by a variety of criteria, shows that 13 of the 100 highest-grossing chains are suffering declines in average revenue per restaurant — a key measure of a system's health. The losers include such well-respected operators as Marriott, Bob Evans Farms, Ponderosa, and Popeyes.

Four others are experiencing no gain in per-store sales, and 40 additional chains — including Kentucky Fried Chicken, Dunkin' Donuts, and Domino's — are failing to boost unit sales averages at a clip exceeding the rate of menu-price inflation. Many, if not most, are clearly beset by a drop in customer traffic.

It's not surprising that eight of the Top 100 chains are being battered by systemwide sales declines. And the collective sales of all 100 systems are projected to grow by 8.5 percent this year, marking a slowdown from the 8.7-percent gait clocked in '88.

"We definitely will have some chain failures in the next few years," comments George Rice, chairman of the food-service consulting firm GDR Enterprises.

"There's a continuation of growth in supply coupled with very little growth in demand," observes Ron Paul, president of the Technomic research house in Chicago. "There's slower population growth, and the whole aging thing is taking its toll on dining out. And the Couch Potato syndrome is certainly having an effect."

"It's been a tough couple of years," said Bill Ingram, president of White Castle, whose per-unit averages are project-

*(See **TOP 100**, page F85)*

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# Pizza Hut closes gap on McD, BK

## *KFC, Hardee's bypassed by surging pizza chain*

**By Peter Romeo**

Although McDonald's continues to pummel other Top 100 heavyweights with a fury that Mike Tyson would envy, the 1989 sales rankings show that a scrappy bruiser is emerging in fierce preliminary bouts as a powerful potential challenger.

Pepsico's Pizza Hut chain has already decked enough competitors to score the major upset in NRN's Top 100 systemwide-sales ranking for 1989. The segment-leading pizza maker leaped two places in the standings to seize the No. 3 berth, hoisted by a projected $300 million jump in chainwide sales.

"We've added quite a few points of distribution, and we've had some very strong increases in PSAs [per-store averages]," says Pizza Hut president Steve Reinemund. "We've had 24 months of growth in both those areas."

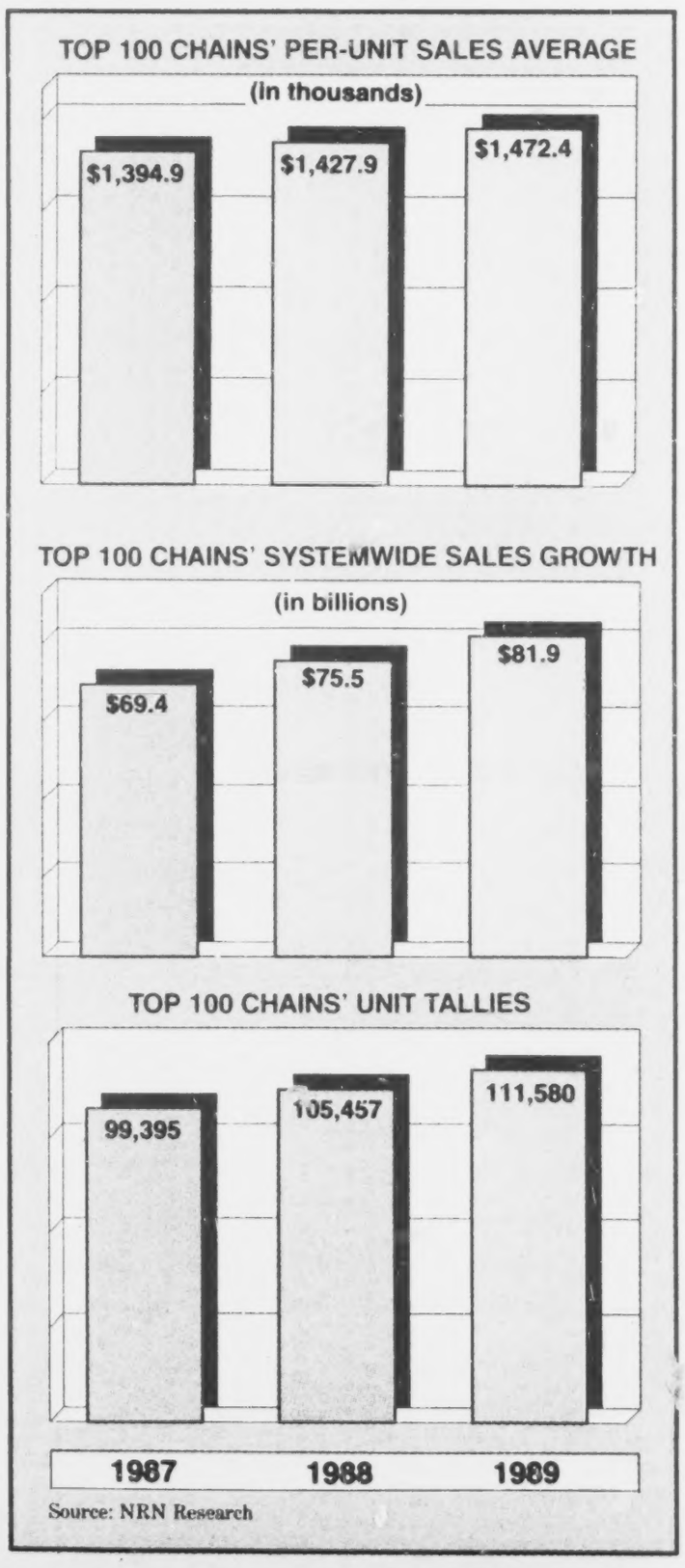
The system's per-unit sales average is expected to jump 10 percent in 1989, compared with McDonald's projected increase of 6.7 percent. In addition, Pizza Hut's systemwide sales are growing faster than the burger biggie's (10.7 percent vs. 8.6 percent).

Reinemund scoffs at assertions that Pizza Hut may someday square off with McDonald's for a title bout. "We don't wake up and say, 'We want to catch McDonald's,'" he says. "We wake up and say, 'We want to sell more pizza.' We hope to increase our rate of growth."

But like a schoolyard bully, McDonald's is backing Pizza Hut up against a wall. The Home of the Golden Arches has just begun browning the crusts of a new pizza product.

"We're certainly not under-

*(See **McD**, page F29)*

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Vol. 23, No. 32 Aug. 7, 1989

# NEWS DIGEST

## National Pizza resumes pursuit of Skipper's

PITTSBURG, Kan. — For the second time this year, National Pizza is mounting an effort to acquire control of Skipper's, the Bellevue, Wash.-based quick-service seafood chain.

In documents filed with the Securities and Exchange Commission, National Pizza — the largest Pizza Hut franchise, with sales in excess of $140 million — said it would propose a negotiated acquisition of Skipper's at some point in the future.

National Pizza abandoned plans to buy Skipper's earlier this year, when its $9.25-per-share tender offer for the company failed to draw two-thirds of Skipper's total shares outstanding. Equally daunting, Pizza Hut threatened to pull the franchisee's licensing agreement if National acquired the seafood chain.

## Wendy's shelves breakfast to test new chicken sandwich

DUBLIN, Ohio — After sharply curtailing tests here of a new breakfast menu, Wendy's is mobilizing its research-and-development department for a hometown sales trial of a new chicken sandwich.

At the franchisor's annual sales meeting in May, Charles Rath, executive vice president of marketing, stressed the need to develop a grilled-chicken sandwich. The 3,650-unit chain already features a sandwich made with a deep-fried chicken fillet. A variation — Chicken Parmigiana — was spotlighted earlier this year as a short-term promotional item.

Searching for a way to re-enter the morning market, Wendy's had tested a variety of biscuit and muffin breakfast sandwiches in about 70 units here. The experimental menu has been yanked out of about 50 of those stores.

## Reports say the Le Cozes seek to buy 2nd restaurant

NEW YORK — Maguy and Gilbert Le Coze, operators of the acclaimed Le Bernardin restaurant here, are seeking to buy a dining outlet currently operated by actress Mariel Hemingway and her husband, Steve Crisman, according to widespread reports.

The Le Cozes, Hemingway and Crisman could not be reached for comment. However, Crisman has confirmed that he and his wife have discussed the possibility of selling their Sam's restaurant on the West Side. The place is situated in the same complex that houses Le Bernardin.

A second Sam's is located on the East Side.

## Disco king Rubell dead at age 45

**Rubell**

NEW YORK — Steve Rubell, the restaurateur-turned-nightclub-impresario whose Studio 54 was the place to be during the height of the disco craze, died here at age 45 from hepatitis and an unchecked bacterial infection.

Before opening the world-famous Studio 54 with longtime partner Ian Schrager, Rubell was an investor in several New York restaurants, including Water's Edge in Queens. Ironically, his next brush with food service was as a dining-room worker in a federal correctional facility. During the height of Studio 54's fame, Rubell and Schrager were nabbed for evading income taxes by underreporting the disco's revenues.

After their release from prison, the duo entered the lodging business by converting a rundown New York residential hotel into Morgans, a chic hostelry that quickly garnered a star-studded clientele.

Plans to outfit the place with a restaurant operated by famed chef Larry Forgione were scotched after the state refused to grant the place a liquor license.

More recently, Rubell, Schrager, and several investors opened the Royalton, another boutique-style hotel, and began conversion of the Century Paramount.

## Dunkin' wins injunction to stall hostile suitor

RANDOLPH, Mass. — In a triumph for Dunkin' Donuts, a U.S. district court has granted the bakery chain's request for an injunction suspending a hostile takeover attempt by DD Acquisitions, a partnership of two Toronto-based companies.

Judge Edward Harrington ordered one of the partners, Kingsbridge Capital, to append DD's $43-per-share tender offer with information about Kingsbridge's violation of Canadian securities laws in an unspecified previous takeover attempt. Kingsbridge was commanded to cease acquiring Dunkin' stock until the revised offer had been in shareholders' hands for 10 days.

At the same time the judge dismissed DD's complaint that Dunkin' had violated U.S. securities laws by including an investment guide's financial projections in government filings.

DD was formed by Kingsbridge and Cara Operations, a Canadian contract feeder and restaurant operator.

# Files show Ponderosa, Steak & Ale link

**By Peter Romeo**

DALLAS — Grand Metropolitan PLC has completed the sale of its Steak & Ale and Bennigan's chains for $434 million, and the same conglomerate that owns Ponderosa steak houses has surfaced as a key figure in the acquisition.

Although the parties announced that the deal had been consummated, they made no mention publicly of Ponderosa parent Metromedia Corp.

Nevertheless, a prospectus filed in connection with the deal shows that Metromedia has negotiated agreements to acquire up to 90 percent of S & A Restaurant Corp., operator of the two dinner-house groups, beginning in 1992.

Participating in the acquisition of S & A are Don Slater, the company's chief executive, and DJS-Inverness, a New York investment concern.

But S & A and its principal lender "are expected" to grant Metromedia "the right to control the management and operations" of the dinner-house operator, according to the documents. "Metromedia has advised the company [S&A] that it currently contemplates that existing management . . . will remain in place," the document noted.

The documents describe a debt offering by S & A and its major banker, Citibank Ventures Capital Ltd., to be used to pay for the acquisition of S & A from Grand Met.

According to the prospectus, Metromedia had agreed to buy 240,000 preferred shares of the newly independent S & A for $100 each, or $24 million. In addition, the report specified, Metromedia has consented to pay $742,000 for warrants to purchase 75,000 S & A common shares, or 15 percent of the company.

Furthermore, as a result of an oral agreement, Citibank and Metromedia "are expected to enter into a buy/sell agreement" that calls for Citibank to tender its 85-percent S & A stake to Metromedia in three years, the prospectus reveals.

The document notes that the various agreements involving Metromedia were sealed with a handshake on July 7, several weeks after Mike Jenkins joined Ponderosa as president. Jenkins, an alumnus of S & A, resigned as president of TGI Friday's in 1988 to seek an acquisition of an unspecified restaurant company. Reliable sources indicated at the time that Jenkins was stalking S & A.

Grand Met acquired S & A Restaurant Corp. through the takeover earlier this year of Pillsbury Co., whose holdings also included Burger King.

Grand Met said at the time that it would sell S & A because of "closed shop" laws prohibiting brewers and distillers from operating liquor retail outlets. The conglomerate is one of the world's largest suppliers of alcoholic beverges.

FINANCIAL NEWS

# Pepsico restaurant group posts 15% rise in profits

By Rajan Chaudhry

PURCHASE, N.Y. — Torrid gains in sales and profits at Pepsico's Pizza Hut and Taco Bell operations rescued the company from a severe second-quarter dowsing by leaky Kentucky Fried Chicken.

Despite a 19-percent plummet in KFC's earnings and an $8 million pretax charge for the consolidation of KFC's U.S. field operations, Pepsico's restaurant group posted a 15-percent increase in profits, to $102.1 million, on a 20-percent gain in sales, to $1.2 billion.

Pizza Hut's earnings flared 41 percent, to $51.8 million, for the quarter ended June 17, on a 21-percent rise in sales, to $540 million.

The increases were fueled by improvements in both traditional and delivery channels, wider margins, and the rapid expansion of the number of delivery locations, Pizza Hut said.

Comparable sales for domestic company-owned Pizza Hut units increased 11 percent for the quarter and 12 percent year to date.

Taco Bell's earnings also exploded in the quarter, ignited by effective marketing programs, improved margins, and the continued success of the operation's menu-price rollback.

Taco Bell's operating profits soared to $32.4 million in the latest quarter, a 60-percent gain over the same quarter last year, while sales climbed 31 percent, to $330 million.

Taco Bell, which operates the segment-leading Mexican fast-food chain — posted comparable-store sales gains for domestic company-owned units of 22 percent for the quarter and 20 percent year to date.

Including the consolidation charge, KFC's earnings tumbled 44 percent for the latest quarter, to $17.9 million.

Pepsico cited higher chicken and labor costs as well as lower customer counts as reasons for KFC's declines.

Comparable-store sales at KFC rose only 2 percent for the quarter and 4 percent year to date, Pepsico said.

Overall, Pepsico's net income rose 21 percent in the second quarter, to $264.9 million, on a 24-percent increase in sales, to almost $3.6 billion.

The company's snack food operations posted a 24-percent jump in profits to $191.7 million, while sales rose 17 percent, to $948 million.

And soft-drink operating profits surged 60 percent, to $239.6 million, on a 33-percent rise in sales, to almost $1.5 billion.

For the June-ended six months, the company's net profits increased 29 percent, to $430 million, while its sales advanced 22 percent, to $6.6 billion.

# Tennessee Restaurant redeems shares

MEMPHIS, Tenn. — Tennessee Restaurant Co. — owner of the Friendly restaurant chain and a partner in Perkins Restaurants L.P. — exercised an option to redeem shares of its stock from Holiday Corp., cutting the hotel and gaming company's ownership to 33 percent from 68 percent, Holiday said.

Holiday said it would record a pretax gain from the transaction of about $2.3 million in its third quarter.

In 1985 Holiday transferred its interest in Perkins Restaurants Inc. to TRC in exchange for 79-percent ownership of the new company.

TRC subsequently sold half its equity to the public in the form of limited partnership units.

TRC redeemed a portion of Holiday's TRC stock for $13 million in 1986, thereby trimming Holiday's interest to 68 percent. An agreement was also reached providing for TRC to purchase approximately 78 percent of Holiday's remaining stake for $16.1 million by November 1989.

Last year TRC acquired 91 percent of the outstanding shares of Friendly Ice Cream Corp. for $375 million.

For its first half ended in July, Holiday said its net income was $59.3 million compared with $81.1 million in the same period last year.

Last year's first-half net included $162.7 million from property transactions and an extraordinary charge of $24.8 million.

Net income for the latest first half includes property transactions totaling $68.6 million, the company said.

Holiday's revenues dipped 4 percent through the first six months, to $775.7 million, reflecting the disposition of hotels.

The sale of hotels is part of the company's strategy to reduce the debt it incurred in its 1987 recapitalization and to expand via licensing and management contracts.

FOOD PRICE OUTLOOK

# *Vegetable supplies could be tight*

Supplies of some **vegetables** for this year's canned and frozen packs may be in tighter supply than was forecast earlier. Rains in the Northeastern and Middle Atlantic states caused gaps in planting this spring.

The **pea** crop in those areas is estimated at about 50 percent below expectations. The Midwestern outlook is for 20 percent less than planned. At that the pack should be greater than last year's drought-plagued one. Northwestern prospects look good, although some areas are under budget.

**Green beans** are in better shape, although below forecast in both the Northeastern and Middle Atlantic areas. Heat has pared some harvesting. **Sweet corn** looks as if it will be close to forecast, up about 10 percent from last year's crop. Producer stocks on these commodity vegetables are low. Prices should moderate in the fall or hold stable.

**Beef** and **pork** prices continue to hold well above last year's at this time. Hog producers are still predicting larger farrowing, but sustained demand is up, holding prices. Feedlot inventories are down from last year's, with prices reflecting smaller slaughters.

**Scallop** prices are trending up . . . California **iceberg lettuce** prices have been running higher this year on strong demand, despite plentiful supplies . . . Idaho **potato** acreage for fall is up 3 percent over last year's, but nationally the fall harvest looks to be about the same as 1988.

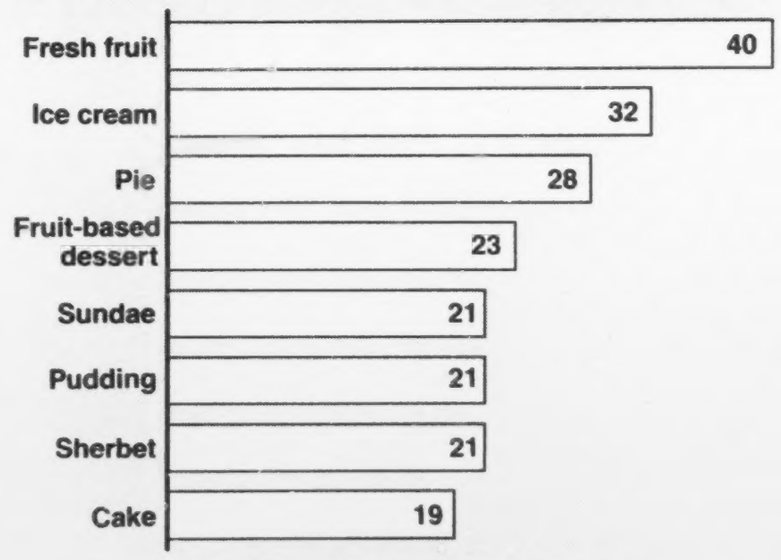
— Patt Patterson

FACT FILE

*A look at the statistics shaping the industry*

CUSTOMERS GO BANANAS OVER FRESH FRUIT

(percent of adults likely to order the following desserts*)




* Respondents could list as many answers as apply
Source: National Restaurant Association Gallup Survey, 1989

NRN FINANCIAL DIGEST

## Arby's operating profits up 23%

ATLANTA — Arby's Inc. said second-quarter operating profits advanced 23 percent, to $6.2 million, on a 13-percent rise in sales, to $43.1 million.

Arby's credited the gains to increased spending on marketing, new restaurant openings, and the introduction of a sub deluxe sandwich and other new products.

For the first six months of 1989, the company — which operates a system of about 2,100 Arby's roast beef restaurants — said its operating profit improved 23 percent over the comparable period last year, to $9.4 million, while sales increased 16 percent, to $81.4 million.

## Marriott drafts senior housing plan

WASHINGTON — Marriott Corp. — the diversified foodservice and hospitality giant — said it would build 150 senior housing centers at a cost of more than $1 billion over the next five years.

The 150 independent full-service and catered living communities will provide housing for more than 25,000 senior citizens, Marriott said.

The company also said it would build four new full-service retirement communities. It already has three such properties under development and manages another 12.

## Homestyle Buffet nets 65% profit rise

OLDSMAR, Fla. — Homestyle Buffet Inc. said an increase in the number of restaurants in operation helped lift net earnings 65 percent, to $258,146, on a 140-percent sales gain, to $5.1 million, for its second quarter ended June 21.

The company had 13 buffet-style restaurants in operation at the end of the latest quarter, compared with five in the same period last year.

Homestyle Buffet said it has added a 14th unit in Rochester, N.Y., and that it plans to open two restaurants — one each in Philadelphia and Baltimore — in September.

The company also said it expects to open units in Rochester, Niagara Falls, N.Y., and Baltimore in the fourth quarter, which will bring its total number of restaurants to 19.

Homestyle Buffet completed its second public stock offering in June, selling 821,250 shares with net proceeds of about $5.8 million.

## National Pizza's net profits gain 38%

PITTSBURG, Kan. — National Pizza Co., Pizza Hut's largest franchisee, said improvements in its delivery business contributed to a 38-percent rise in net income, to $3.6 million, on a 21-percent increase in net sales, to $39.5 million, for its first quarter ended June 27.

National Pizza operates 337 Pizza Hut restaurants and delivery kitchens in 13 states.

Nation's Restaurant News

# FOCUS

# THE TOP 100 OF 1989

*Although the big continue to get bigger, even food service's mightiest contenders have been slowed this year by cutthroat competition and a slowdown in demand*

## 10 FASTEST-GROWING TOP 100 RESTAURANT CHAINS

(year-to-year change, number of units)

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Percent Change '89 vs.'88 | Percent Change '88 vs.'87 |
|---|---|---|---|---|---|
| 1 | 1 | Olive Garden | May | 56.52% | 76.92% |
| 2 | 41 | Popeye's Famous Fried Chicken & Biscuits | Oct. | 44.06 | 5.93 |
| 3 | 5 | TCBY | Nov. | 36.17 | 42.94 |
| 4 | 6 | Radisson Hotels | Dec. | 27.87 | 34.07 |
| 5 | 31 | Marriott Travel Plazas | Dec. | 26.80 | 8.99 |
| 6 | 2 | Little Caesars Pizza | Dec. | 26.01 | 66.67 |
| 7 | 12 | Service America | March | 25.00 | 25.00 |
| 8 | 7 | Sbarro the Italian Eatery | Dec. | 24.90 | 33.16 |
| 9 | 13 | Tony Roma's | Feb. | 23.66 | 22.37 |
| 10 | 70 | Disney Theme Parks | Sept. | 22.70 | 1.65 |

Source: NRN Research

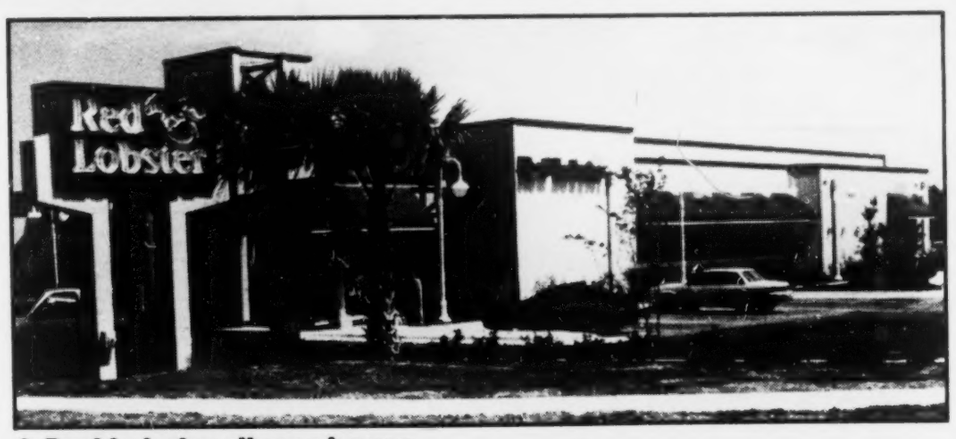
## 10 BIGGEST GAINERS IN PER-UNIT SALES

(ranked by % change in avg. unit sales, '89 vs. '88)

| Rank | Chains | Fiscal Year Ends | % chg., '89 vs. '88 |
|---|---|---|---|
| 1 | Western Sizzlin | Dec. | 17.45% |
| 2 | Subway | Dec. | 16.42 |
| 3 | Taco Bell | Dec. | 14.94 |
| 4 | Sky Chefs | Dec. | 13.41 |
| 5 | Marie Callender's | Dec. | 11.80 |
| 6 | Sonic Drive-Ins | Aug. | 10.96 |
| 7 | Jack in the Box | Oct. | 10.74 |
| 8 | Pizza Hut | Jan. | 10.00 |
| 9 | Concession Air | Dec. | 8.50 |
| 10 | Marriott Food Services Management | Dec. | 8.06 |

Source: NRN Research

An El Pollo Asado Charbroiled Chicken unit.




A Red Lobster dinner house.

One of the airline kitchens served by Marriott In-Flite Services .

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This project was overseen by special projects editor Peter Romeo.
All statistical data were inputted and collated by Andy Townes.

# FOCUS | OPINION

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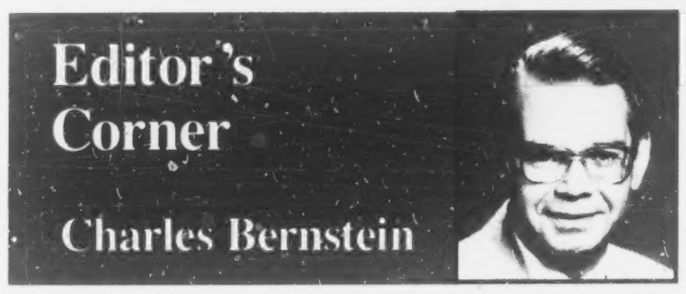
# Critical industry issue: Safety at all levels

"Safety last" seems to be a slogan throughout much of the food-service industry. Struggling for traffic and profits, operators tend to relegate safety concerns to a minor role while focusing on other "really important" matters.

In reality, "safety first"and "safety always" should be the slogans when it comes to food, cleanliness, and maintaining the best possible conditions for the customer.




Safety can have a positive impact on traffic and profits when it receives full attention or a devastating effect when ignored, as outbreaks of salmonella and hepatitis have amply demonstrated. Just one such outbreak is enough to cripple a restaurant with negative publicity and loss of customers.

Safety concerns and the desperate need for operators to stop ignoring this question have been highlighted in graphic examples presented by Stephen Estrin, a Mahopac, N.Y., safety expert and this newspaper's safety columnist.

Among other things, he cited slippery stairways without handrails as menaces in some restaurants. Lawsuits filed by customers who have fallen on such stairways have led to settlements in the six-figure or seven-figure range and a tarnished image for the restaurants involved.

Estrin also cited a different case in which a 15-year-old employee assigned to replenish a salad bar was scalded and injured when soup spilled onto her legs from a covered but unsecured pot. A jury awarded her $225,000.

These problems start at the top with company officials who too often make safety a Z priority. Instead, it must be a priority throughout the organization. Full responsibility on all safety matters should be delegated to specific department directors such as security, purchasing or human resources.

Fires and resulting exorbitant insurance premiums have also been a hazard, with an estimated average of 20 major restaurant fires annually totaling losses from $20 million to $30 million. In an upcoming column, Estrin will detail fire prevention methods which could save restaurants a great deal of grief. These include the proper types of smoke detectors, fire extinguishers, sprinkler systems, and eliminating all fire hazards.

Although restaurant sanitation standards have improved, violations do occur. Restaurants still receive health-code warnings and are even shut down over problems.

Operators tend to be terrified about newspaper listings if their places are cited for violations. However, this is not something that can be kept entirely private.

In New York City, shakedowns by health inspectors entered the picture last year as some restaurants hit with warnings and violations had refused to give payoffs. They should be applauded for their courage but still should maintain a clean place.

If restaurants were as clean as they claim, there would not be a constant need for exterminators. Nor would the exterminators shine so much on the restaurant scene.. So there must be a problem.

But the most serious safety issue is food contamination. As reported in Nation's Restaurant News last month, the Food & Drug Administration says that anywhere from 2 million to 4 million pepple annually become sick from something they ate in a restaurant or elsewhere. In addition, a serious form of hepatitis is said to be on the rise now after having declined.

A massive effort is essential to virtually eliminate foodborne illnesses. It starts with basics such as cleaning and hosing the kitchen daily and employing micribiologists to check bacteria levels.

But any comprehensive program must really start with the chief executive. If he believed in all aspects of safety and sanitation, his executives would also. The unit manager in turn would encourage his employees to go all-out.

To not worry about safety unless there are injuries or lawsuits is asking for trouble. Preventing food-borne illnesses, accidents, and fires should be a priority for all food-service operators.

As the president of a leading food safety and sanitation company declared, "People should not be in business if they can't demonstrate that they can serve safe food and run a safe operation."

## LETTERS

### *Thanks for memories of Chuck Rolles*

Editor, NRN:

I was happy to read about Chuck Rolles ("Where are they now?" June 5). Back in 1955, when I was a youth living in Ithaca and Chuck was setting records on Ivy League basketball courts, I was so impressed with his ability that years later, when I enrolled in college, his Waikiki restaurant and the memory of those years at Cornell University convinced me that I could do a lot worse than a career in the restaurant industry.

Thanks for rekindling some happy memories.

**— John H. Bing Jr.**
Toluca Lake, Calif.

### *Change a definite must for I-9 legislation*

Editor, NRN:

I enjoyed reading your Editor's Corner column, "INS terror tactics harass operators."

As an attorney specializing in immigration and labor relations matters, I have represented many restaurateurs over the past two years. Many have been totally befuddled by complex INS regulations and have needed representation when the INS conducted a raid or an I-9 audit. I hope that Nation's Restaurant News continues to report on the impact of this law on restaurateurs.

I completely share your views regarding the new Immigration Reform and Control Act. Legislative change *must* be initiated. To that end, on May 10, 1989, I testified before the House Subcommittee on Immigration and Refugee Policy about the impact of employer sanctions on the employer community. My focus was the impact on restaurateurs, since they seem to have been hit the hardest. I cited many examples of travesties that have occurred to restaurateurs. I also included several news clippings from Nation's Restaurant News on this subject.

You should also be aware of a new bill, by Senators Simpson and Kennedy, which would prevent restaurateurs from sponsoring aliens who are working in occupations with a shortage of labor.

In addition, a very significant error was made in your May 22 article, "How to fill out the I-9s." The author stated that the form must be filled out for all persons hired after May 31, 1987. Actually, employers must complete the I-9 form for individuals who were hired after Nov. 6, 1986, and who continued to be employed after May 31, 1987.

When the employer sanction regulations were published on May 1, 1987, the INS decided not to hold employers liable retroactively for failing to fill out I-9s for employees who left the work force before the government disseminated the form.

What happens if an employer has not completed I-9 forms at all? Abate the damages; start filling out I-9s *now*, at least for your current work force. You may still receive a fine because the I-9s were not timely filled out. However, your good faith compliance with the law will serve as a mitigating factor in assessing the amount of penalties to be levied.

Because there are many exceptions in the regulations and they are only now being litigated, it might be best to seek the advice of an attorney expert in immigration-labor-related matters in advance of an immigration I-9 audit.

**— Josie Gonzalez**
*attorney-at-law*
Gonzalez and Harris
Los Angeles

### *Hospitality shouldn't be pushy with guests*

Editor, NRN:

As to your "Great expectations, disappointing results" Editor's Corner, I agree and disagree!

The guest should be allowed to choose the table. The guest has the right to have a dish prepared the way he or she wishes. The guest needs to be informed of special offerings. The guest should be offered the right to comment on food and service.

It all comes down to the approach and execution of the host, server, manager, kitchen, and restaurant. Hospitality needs to be real, not pushy.

**— W. Reed Embrey**
Restaurant Concepts
Charlotte, N.C.

*NRN welcomes letters on timely topics. Send to: Letters Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y., 10022. Letters may be edited for space, clarity, and fairness.*

# FOCUS | TOP 100

## TOP 100 CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1989 | Rank 1988 | Chain | Concept | Parent Company | Fiscal Year Ends | Systemwide Sales (by fiscal year in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Hamburger | McDonald's Corp. | Dec. | $12,360.0 | $11,380.0 | $10,590.0 |
| 2 | 2 | Burger King | Hamburger | Burger King Corp. | Sept. | 5,110.0 | 4,840.0 | 4,590.0 |
| 3 | 5 | Pizza Hut | Pizza | Pepsico | Jan. | 3,100.0 | 2,800.0 | 2,200.0 |
| 4 | 4 | Hardee's | Hamburger | Imasco Ltd. | Dec. | 3,040.0 | 2,810.0 | 2,600.0 |
| 5 | 3 | Kentucky Fried Chicken | Chicken | Pepsico Inc. | Dec. | 3,000.0 | 2,900.0 | 2,700.0 |
| 6 | 6 | Wendy's | Hamburger | Wendy's International Inc. | Jan. | 2,860.0 | 2,720.0 | 2,700.0 |
| 7 | 7 | Domino's | Pizza | Domino's Pizza Inc. | May | 2,600.0 | 2,300.0 | 1,900.0 |
| 8 | 8 | Marriott Food Services Management | Contract | Marriott Corp. | Dec. | 2,340.0 | 2,120.0 | 1,897.3 |
| 9 | 9 | Dairy Queen | Ice Cream | International Dairy Queen | Nov. | 2,068.0 | 1,859.0 | 1,658.0 |
| 10 | 10 | Taco Bell | Mexican | Pepsico Inc. | Dec. | 1,840.0 | 1,600.0 | 1,543.0 |
| 11 | 11 | Canteen | Contract | TW Services Inc. | Dec. | 1,651.0 | 1,597.0 | 1,475.0 |
| 12 | 12 | ARA Services (ARA SERV) | Contract | ARA Services Inc. | Sept. | 1,357.0 | 1,261.0 | 1,145.0 |
| 13 | 13 | Denny's | Fam. Rest. | TW Services | Dec. | 1,300.0 | 1,227.0 | 1,335.0 |
| 14 | 14 | Arby's | Roast Beef | DWG Corp. | Dec. | 1,300.0 | 1,100.0 | 935.0 |
| 15 | 16 | Red Lobster | Dinner House | General Mills | May | 1,200.0 | 1,050.0 | 977.0 |
| 16 | 21 | Little Caesars Pizza | Pizza | Little Caesar Enterpises, Inc. | Dec. | 1,200.0 | 908.0 | 725.0 |
| 17 | 19 | Marriott Hotels & Resorts | Hotel | Marriott Corp. | Dec. | 1,144.5 | 1,021.4 | 890.1 |
| 18 | 20 | Sheraton Hotels | Hotel | ITT Corp. | Dec. | 1,065.8 | 1,005.0 | 1,021.3 |
| 19 | 18 | Big Boy | Fam. Rest. | Elias Bros. | Dec. | 1,040.0 | 1,030.0 | 1,027.0 |
| 20 | 17 | Service America | Contract | Servam Inc. | March | 1,040.0 | 1,034.0 | 1,016.0 |
| 21 | 22 | Dunkin' Donuts | Doughnut | Dunkin' Donuts | Oct. | 1,014.4 | 880.0 | 790.4 |
| 22 | 15 | Marriott In-Flite/Host [1] | Contract | Marriott Corp. | Dec. | 1,010.0 | 1,060.0 | 986.0 |
| 23 | 25 | Jack in the Box | Hamburger | Foodmaker Inc. | Oct. | 875.0 | 775.0 | 655.0 |
| 24 | 23 | Hilton Hotels | Hotel | Hilton Hotels Corp. | Dec. | 862.3 | 838.2 | 833.8 |
| 25 | 24 | Shoney's | Fam. Rest. | Shoney's Inc. | Oct. | 860.0 | 798.6 | 718.6 |
| 26 | 27 | Sizzler Steak Seafood & Salad | Steak House | Sizzler Restaurants Int'l Inc. | April | 845.6 | 748.6 | 632.5 |
| 27 | 31 | Subway Sandwiches & Salads | Sandwhiches | Doctors Associates | Dec. | 805.0 | 582.8 | 344.0 |
| 28 | 26 | Long John Silver's | Fish | Jerrico Inc. | June | 785.0 | 753.1 | 736.7 |
| 29 | 28 | Ponderosa Steak Houses | Steak House | Ponderosa Inc. | Feb. | 710.0 | 696.0 | 651.0 |
| 30 | 30 | 7-Eleven | C. Store | Southland Corp. | Dec. | 670.9 | 639.0 | 672.0 |
| 31 | 29 | Holiday Inn | Hotel | Holiday Corp. | Dec. | 669.2 | 686.3 | 700.1 |
| 32 | 32 | Roy Rogers | Hamburger | Marriott Corp. | Dec. | 620.0 | 575.0 | 525.0 |
| 33 | 33 | Bonanza Family Restaurants | Steak House | USA Cafes, L.P. | Dec. | 620.0 | 570.5 | 458.4 |
| 34 | 34 | Friendly | Chicken | Tennessee Restaurant Corp. | Dec. | 590.0 | 563.5 | 572.4 |
| 35 | 38 | Popeye's Famous Fried Chicken & Biscuits | Fam. Rest. | Biscuit Investments Inc. | Oct. | 590.0 | 477.0 | 460.0 |
| 36 | 36 | Baskin Robbins | Ice Cream | Allied Lyons PLC | Dec. | 524.4 | 501.8 | 469.3 |
| 37 | 44 | Disney Theme Parks | Theme Park | Disney Corp. | Sept. | 506.0 | 408.0 | 366.0 |
| 38 | 39 | Dobbs International/Dobbs Houses | Contract | Greyhound Corp. | Dec. | 505.0 | 463.0 | 449.0 |
| 39 | 37 | Western Sizzlin Restaurants | Steak House | Western Sizzlin, Inc. | Dec. | 500.0 | 487.5 | 466.2 |
| 40 | 45 | Carl's Jr. | Hamburger | Carl Karcher Enterprises Inc. | Jan. | 480.6 | 399.3 | 345.0 |
| 41 | 40 | Golden Corral Family Steakhouse | Steak House | Investors Management Corp. | Dec. | 464.8 | 455.6 | 428.8 |
| 42 | 41 | Bennigan's | Dinner House | S&A Restaurant Corp. | May | 458.7 | 455.0 | 449.3 |
| 43 | 48 | Perkins | Fam. Rest. | Tennessee Restaurant Corp. | Dec. | 450.0 | 375.0 | 343.7 |
| 44 | 43 | Quality Inns | Dinner House | Manor Care Inc. | May | 430.4 | 420.2 | 343.4 |
| 45 | 42 | Chi-Chi's | Dinner House | Foodmaker, Inc. | Oct. | 422.0 | 431.0 | 410.0 |
| 46 | 47 | T.G.I. Friday's | Dinner House | TGI Friday's Inc. | Jan. | 410.0 | 383.0 | 364.1 |
| 47 | 46 | El Torito | Dinner House | Restaurant Enterprises Group I | Dec. | 400.0 | 386.0 | 402.0 |
| 48 | 52 | Sonic Drive-In | Hamburger | Sonic Industries Inc. | Aug. | 390.0 | 341.1 | 306.4 |
| 49 | 51 | Sky Chefs | Contract | Onex Corp. | Dec. | 383.4 | 352.7 | 333.4 |
| 50 | 50 | Captain D's Seafood | Seafood | Shoney's Inc. | Oct. | 381.0 | 363.6 | 342.6 |

## EXPLANATION OF COLUMN HEADINGS

- **Rank:** The Top 100 chains are ranked by systemwide sales — the sales of all franchised and company-operated restaurants — for fiscal 1989 unless otherwise indicated. The 1988 ranking is based on revised data for the prior fiscal year. Because of adjustments to both the fiscal 1988 and fiscal 1987 figures, the numbers may not match the amounts listed on last year's Top 100 listing.

- **Chain:** The name of the restaurant, hotel, or contract-feeding operation, as it appears on signage and other trademarks.

- **Concept:** Type of restaurant operated by the chain, as defined by the signature menu item or style of service. "Fam. Rest." stands for family restaurant, a concept also known as a coffee shop.

- **Parent company:** The business entity that owns a chain's trademarks, licensing rights, and copyright. The term is often synonymous with franchisor.

- **Systemwide sales:** Domestic food-service sales of all company-operated and franchised restaurants within a chain. Figures for concessionaires and in-store feeders excludes all retail sales except food-service intake.

- **Source:** Data was gathered by NRN's editorial staff from franchisors, franchisees, financial analysts, press clippings, data banks, and other reliable sources. In instances where current figures were not available, historical information was used to project or estimate sales.

# FOCUS | TOP 100

## TOP 100 CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1989 | Rank 1988 | Chain | Concept | Parent Company | Fiscal Year Ends | Systemwide Sales (by fiscal year in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|---|---|
| 50 | 50 | Captain D's Seafood | Seafood | Shoney's Inc. | Oct. | $ 381.0 | $ 363.6 | $ 342.6 |
| 51 | 35 | Church's Fried Chicken | Chicken | Biscuit Investments, Inc. | Dec. | 359.8 | 559.3 | 533.9 |
| 52 | 53 | Pizza Inn | Pizza | Pantera's Corp. | June | 344.0 | 330.0 | 310.0 |
| 53 | 55 | Whataburger | Hamburger | Whataburger Inc. | Sept. | 340.0 | 310.0 | 260.0 |
| 54 | 63 | Morrison Custom Management | Contract | Morrison Inc. | May | 335.0 | 266.1 | 166.2 |
| 55 | 65 | Chili's Grill & Bar | Dinner House | Chili's Inc. | June | 331.0 | 260.0 | 196.0 |
| 56 | 49 | Rax | Roast Beef | Rax Restaurants Inc. | July | 330.0 | 366.8 | 358.3 |
| 57 | 54 | Ramada Inn | Hotel | Ramada Inc. | Dec. | 329.6 | 314.4 | 303.3 |
| 58 | 56 | International House of Pancakes | Fam. Rest. | IHOP Corp. | Dec. | 325.0 | 291.3 | 297.5 |
| 59 | 57 | Morrison's Family Dining | Cafeteria | Morrison Inc. | May | 320.0 | 291.0 | 278.0 |
| 60 | 60 | Hyatt Hotels | Hotel | Hyatt Hotels Corp. | Jan. | 311.1 | 282.1 | 259.4 |
| 61 | 58 | Westin Hotels & Resorts | Hotel | Aoki Corp. | Dec. | 302.4 | 285.6 | 271.5 |
| 62 | 61 | Marriott Travel Plazas | Rest Stop | Marriott Corp. | Dec. | 300.0 | 273.0 | 236.0 |
| 63 | 85 | TCBY | Dinner House | TCBY Enterprises Inc. | Nov. | 300.0 | 210.0 | 120.0 |
| 64 | 99 | Olive Garden | Yogurt | General Mills Inc. | May. | 300.0 | 171.0 | 75.0 |
| 65 | 67 | Ground Round [2] | Dinner House | Hanson Trust PLC | Sept. | 300.0 | 259.0 | 216.0 |
| 66 | 59 | White Castle | Hamburger | White Castle System Inc | Dec. | 299.4 | 282.7 | 282.6 |
| 67 | 73 | Ryan's Family Steak Houses | Steak House | Ryan's Family Steak Houses Inc | Dec. | 295.0 | 236.0 | 185.0 |
| 68 | 66 | Bob Evans Farms [3] | Fam. Rest. | Bob Evans Farms Inc. | April | 293.5 | 259.2 | 221.2 |
| 69 | 62 | Furr's/Bishop's Cafeterias | Cafeteria | Furr's/Bishop's Cafeterias L.P | Dec. | 288.0 | 271.0 | 256.2 |
| 70 | 68 | Luby's Cafeteria | Cafeteria | Luby's Cafeterias Inc. | Aug. | 285.0 | 254.3 | 232.9 |
| 71 | 64 | Chuck E. Cheese/Pizza Time Theatre | Pizza | Show Biz Pizza Time Inc. | Dec. | 278.0 | 260.9 | 239.1 |
| 72 | 74 | Piccadilly Cafeterias | Cafeteria | Piccadilly Cafeterias, Inc. | June | 274.0 | 234.6 | 217.5 |
| 73 | 76 | Chick-Fil-A | Chicken | Chick-Fil-A, Inc. | Dec. | 268.0 | 230.0 | 202.0 |
| 74 | 77 | Marie Callender's | Pizza | Wilshire Restaurant Group | Dec. | 265.0 | 230.0 | 206.4 |
| 75 | 70 | Round Table Pizza | Fam. Rest. | Round Table Pizza | June | 265.0 | 250.0 | 250.0 |
| 76 | 82 | Radisson Hotels | Hotel | Carlson Cos. | Dec. | 265.0 | 216.5 | 169.4 |
| 77 | 72 | Ogden Allied Leisure Services | Contract | Ogden Corp. | Dec. | 260.0 | 241.0 | 210.0 |
| 78 | 69 | Quincy's Family Steakhouse | Steak House | TW Services Inc. | Dec. | 259.8 | 250.9 | 221.5 |
| 79 | 90 | Tony Roma's | Ribs | Roma Corp. | Feb. | 241.0 | 188.1 | 144.5 |
| 80 | 80 | Seiler Corp. | Contract | Sodexho Corp. | Aug. | 241.0 | 225.0 | 185.0 |
| 81 | 79 | Carvel | Ice Cream | Carvel Corp. | Dec. | 237.7 | 228.7 | 220.0 |
| 82 | 71 | Godfather's Pizza | Pizza | Godfather's Pizza Inc. | May | 236.0 | 245.0 | 261.0 |
| 83 | 83 | Harry M. Stevens | Contract | Harry M. Stevens Inc. | Dec. | 231.3 | 215.0 | 192.0 |
| 84 | 78 | Village Inn | Fam. Rest. | Vicorp Inc. | Oct. | 230.0 | 229.7 | 218.3 |
| 85 | 98 | El Pollo Loco | Chicken | Denny's Inc. | Dec. | 220.0 | 173.0 | 115.0 |
| 86 | 86 | Waffle House | Fam. Rest. | Waffle House Inc. | June | 219.6 | 210.0 | 189.4 |
| 87 | 81 | Steak and Ale | Dinner House | S&A Restaurant Corp. | May | 214.5 | 221.1 | 256.0 |
| 88 | 89 | Bakers Square | Fam. Rest. | Vicorp Inc. | Oct. | 214.0 | 189.4 | 155.8 |
| 89 | 84 | Del Taco | Mexican | American Restaurant Group | Dec. | 211.7 | 211.0 | 217.0 |
| 90 | 88 | Daka | Contract | Daka International Inc. | June | 210.0 | 191.0 | 182.0 |
| 91 | 87 | Sportservice | Contract | Delaware North Cos. | Dec. | 209.0 | 193.0 | 174.0 |
| 92 | 91 | Circle K | C. Store | Circle K Corp. | April | 204.2 | 187.0 | 169.0 |
| 93 | 100 | Sbarro the Italian Eatery | Pizza | Sbarro Inc. | Dec. | 200.0 | 154.4 | 116.3 |
| 94 | 92 | Stuart Anderson's Black Angus | Dinner House | American Restaurant Group | Dec. | 198.8 | 187.0 | 187.0 |
| 95 | 95 | Houlihan's | Dinner House | Gilbert-Robinson Inc. | Dec. | 198.6 | 179.6 | 164.3 |
| 96 | 94 | Concession Air | Contract | Delaware North Cos. | Dec. | 195.3 | 180.0 | 163.0 |
| 97 | 96 | Krystal | Fam. Rest. | The Krystal Co. | Dec. | 184.0 | 178.0 | 184.0 |
| 98 | 93 | Howard Johnson | Hamburger | Franchise Associates | April | 184.0 | 182.0 | 250.0 |
| 99 | 97 | Wyatt Cafeterias | Cafeteria | Wyatt Cafeterias Inc. | Dec. | 180.1 | 175.3 | 178.0 |
| 100 | 75 | Woolworth | In-Store | F.W. Woolworth Inc. | Jan. | 179.0 | 234.0 | 255.0 |
| TOTALS: | | | | | | $81,913.4 | $75,492.8 | $69,421.3 |

Source: NRN Research

## FOOTNOTES

[1] A controlling interest in Marriott's In-Flite business is about to be sold to Caterair. However, Marriott has indicated that the inflight caterer's name will remain Marriott In-flite.

[2] Ground Round is poised to be sold by Hanson Trust to International Protein Corp.

[3] Included in Bob Evans' systemwide sales is the intake of several units that operate under the name Owens Family Restaurants.

# FOCUS | TOP 100

## TOP 100 COMPANIES RANKED BY FISCAL 1989 REVENUES

| Rank 1989 | Rank 1988 | Company | Year Ends | Concepts | Revenues (by fiscal year in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|---|
| 1 | 2 | PepsiCo inc. | Dec. | Kentucky Fried Chicken, Taco Bell, Pizza Hut | $5,500.0 | $4,854.5 | $4,188.2 |
| 2 | 1 | Marriott Corp. [1] | Dec. | Roy Rogers, Big Boy, contract feeding, Marriott Hotels | 5,350.0 | 4,865.0 | 4,424.0 |
| 3 | 3 | McDonald's Corp. | Dec. | McDonald's | 4,020.0 | 3,720.0 | 3,440.0 |
| 4 | 4 | TW Services Inc. [2] | Dec. | Denny's, Hardee's, El Pollo Loco, Quincy's | 3,750.0 | 3,517.0 | 2,492.0 |
| 5 | 5 | General Mills | May. | Red Lobster, Olive Garden | 1,770.0 | 1,430.0 | 1,200.0 |
| 6 | 6 | ARA Services Inc. | Sept. | ARA Services | 1,357.0 | 1,261.0 | 1,145.0 |
| 7 | 11 | Domino's Pizza Inc. | May | Domino's Pizza | 1,161.0 | 990.0 | 883.8 |
| 8 | 8 | Wendy's International Inc. | Jan. | Wendy's | 1,120.0 | 1,060.0 | 1,060.0 |
| 9 | 12 | Imasco Ltd. | Dec. | Hardee's | 1,100.0 | 931.0 | 900.0 |
| 10 | 9 | Servam Inc. | March | Service America | 1,040.0 | 1,034.0 | 1,016.0 |
| 11 | 10 | Foodmaker Inc. | Oct. | Jack in the Box, Chi-Chi's | 1,033.2 | 993.1 | 655.1 |
| 12 | 7 | Restaurant Enterprises Group | Dec. | El Torito, Carrow's, Coco's | 966.5 | 1,193.6 | 1,210.5 |
| 13 | 17 | Morrison Inc. | May | Morrison's Cafeterias, contract feeding, Ruby Tuesdays, L&M Seafood Grill, Silver Spoon Cafe, Sadie's Cafe | 832.0 | 712.0 | 549.0 |
| 14 | 13 | Greyhound Corp. | Dec. | Contract, Burger King | 795.0 | 766.0 | 746.0 |
| 15 | 14 | Grand Metropolitan PLC | Sept. | Burger King | 781.7 | 744.5 | 803.3 |
| 16 | 16 | Tennessee Restaurant Corp. | Dec. | Perkins, Friendly | 775.0 | 713.0 | 138.0 |
| 17 | 18 | Shoney's Inc. | Oct. | Shoney's, Captain D's, Lee's Famous | 743.0 | 668.2 | 600.9 |
| 18 | 15 | S&A Restaurant Corp. | Oct. | Steak & Ale, Bennigan's | 690.1 | 716.1 | 737.2 |
| 19 | 19 | Jerrico Inc. | June | Long John Silver's, Jerry's Restaurants, Florenz | 638.8 | 603.7 | 567.1 |
| 20 | 22 | Carlson Cos. [3] | Dec. | Radisson Hotels, Country Kitchen | 562.0 | 511.6 | 485.8 |
| 21 | 21 | American Restaurant Group | Dec. | Stuart Anderson's, Brandy's, Velvet Turtle, Spectrum, Spoons | 558.0 | 530.1 | 519.5 |
| 22 | 20 | Collins Foods International Inc. | April | Kentucky Fried Chicken, Sizzler | 541.7 | 566.5 | 522.0 |
| 23 | 25 | Carl Karcher Enterprises Inc. | Jan. | Carl's Jr. | 535.0 | 446.0 | 369.0 |
| 24 | 23 | Southland Corp. | Dec. | 7-Eleven | 523.0 | 498.0 | 604.5 |
| 25 | 28 | Disney Corp. | Sept. | Amusement Concessions | 506.0 | 408.0 | 366.0 |
| 26 | 24 | Investors Management Corp. | Dec. | Golden Corral, Oh! Brian's, Church's Chicken | 481.0 | 470.0 | 445.0 |
| 27 | 27 | TGI Friday's Inc. | Jan. | T.G.I. Friday's, Dalt's | 440.0 | 412.0 | 393.0 |
| 28 | 30 | Ogden Corp. | Dec. | Ogden Allied Service, Ogden Allied Aviation | 415.0 | 386.0 | 347.0 |
| 29 | 26 | Metromedia Inc. | Feb. | Ponderosa | 408.0 | 419.0 | 416.0 |
| 30 | 34 | Delaware North Cos. | Dec. | Concession Air, Sports Service | 404.0 | 323.0 | 337.0 |
| 31 | 29 | Elias Bros. | Dec. | Big Boy, Top Hat Contracting | 400.0 | 400.0 | 325.0 |
| 32 | 32 | Onex Corp. | Dec. | Sky Chefs, Southwest Dining Service | 383.4 | 352.7 | 333.4 |
| 33 | 31 | Daka International | June | Contract, Elgio Sub Shops, Fuddruckers | 380.0 | 360.0 | 200.0 |
| 34 | 33 | Vicorp Restaurants Inc. | Oct. | Bakers Square, Village Inn | 360.0 | 334.6 | 312.6 |
| 35 | 42 | Chili's Inc. | June | Chilli's Grill & Bar | 350.0 | 274.0 | 196.0 |
| 36 | 35 | Whataburger Inc. | Sept. | Whataburger | 340.0 | 310.0 | 260.0 |
| 37 | 37 | Sizzler Restaurants Int'l Inc. | April | Sizzler | 311.5 | 290.9 | 241.1 |
| 38 | 40 | Hyatt Hotels Corp. | Jan. | Hyatt Hotels | 311.1 | 282.1 | 259.4 |
| 39 | 90 | Biscuit Investments, Inc. | Oct. | Church's, Popeye's | 309.3 | 80.0 | 65.9 |
| 40 | 38 | Boddie-Noell Enterprises Inc. | Sept. | Hardee's | 309.0 | 289.0 | 268.0 |
| 41 | 36 | Aoki Corp. | Dec. | Westin Hotels | 307.9 | 291.1 | 472.1 |
| 42 | 41 | ITT Corp. | Dec. | Sheraton Hotels | 303.6 | 281.6 | 281.3 |
| 43 | 47 | Little Caesars Enterpises, Inc. | Dec. | Little Caesars | 303.0 | 248.0 | 180.0 |
| 44 | 45 | Hanson Trust PLC [4] | Sept. | Ground Round | 300.0 | 259.0 | 216.0 |
| 45 | 39 | White Castle System Inc. | Dec. | White Castle | 299.4 | 282.7 | 282.6 |
| 46 | 44 | Bob Evans Farms Inc. | April | Bob Evans Farms, Owens Family Restaurant | 293.5 | 259.2 | 221.0 |
| 47 | 43 | Furr's/Bishop's Cafeterias | Dec. | Furr's/Bishop's | 288.0 | 271.0 | 256.1 |
| 48 | 46 | Luby's Cafeteria | Aug. | Luby's Cafeterias | 285.0 | 254.3 | 232.9 |
| 49 | 49 | Piccadilly Cafeterias Inc. | June | Piccadilly Cafeterias, Ralph & Kacoo's | 274.8 | 235.3 | 218.3 |
| 50 | 50 | Chick-fil-A, Inc. | Dec. | Chick-fil-A | 272.0 | 232.0 | 203.0 |

## EXPLANATION OF COLUMN HEADINGS

- **Rank:** The ranking is based on revenues for each company's domestic food-service revenues for fiscal 1989 unless otherwise indicated. Only food-service revenues were included.

  The 1988 figure is based on revised data for the prior fiscal year. Because of the adjustments, the numbers may not match the figures presented in last year's Top 100 listing.

- **Company:** The business entity that ultimately receives the specified food-service revenues.

- **Key concepts:** The names of the chains or restaurants operated or franchised by the company. In some instances, the listed concept is the type of food-service operation — contract feeding, for instance.

- **Revenues:** Domestically-generated food-service dollars collected by the company. Included are sales from company-operated operations; franchise fees; and proceeds from routine asset sales and divestitures. Excluded are the intake of franchised restaurants; revenues generated by manufacturing or wholesaling products; revenues generated by the sale of processed foods through supermarkets; and distribution revenues.

- **Source**: Data were gathered from company reports, financial analysts, franchisees, and other reliable sources. In instances where current information was unavailable, historical data was used to estimate or project figures.

# FOCUS | TOP 100

## TOP 100 COMPANIES RANKED BY FISCAL 1989 REVENUES

| Rank 1989 | Rank 1988 | Company | Year Ends | Concepts | Revenues (by fiscal year in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|---|
| 51 | 48 | Nestle S.A. | Dec. | Stouffer Restaurants, Cheese Cellar, Rusty Scupper, J.B. Winberry, Stouffer Hotels | $245.0 | $240.9 | $225.0 |
| 52 | 52 | Sodexho Corp. | Aug. | Seiler Corp, Food Dimensions, Boatel | 241.0 | 225.0 | 185.0 |
| 53 | 73 | Riese Organization [5] | Dec. | Houlihan's, Dunkin' Donuts, Roy Rogers, Pizza Hut | 240.8 | 142.2 | 126.4 |
| 54 | 51 | TPI Enterprises | Dec. | Shoney's, Captain De's | 240.0 | 225.0 | 212.5 |
| 55 | 56 | International Dairy Queen Inc. | Nov. | Dairy Queen, Orange Julius, Karmel Korn, Golden Skillet | 238.4 | 206.7 | 179.3 |
| 56 | 59 | Ryan's Family Steak Houses Inc. | Dec. | Ryan's | 238.0 | 193.0 | 154.0 |
| 57 | 54 | Harry M. Stevens Inc. | Dec. | Contract feeding | 231.3 | 215.0 | 192.0 |
| 58 | 53 | Paragon Restaurant Group | Oct. | Carlos Murphy's, Hungry Hunter, Mountain Jack's | 225.0 | 216.5 | 167.7 |
| 59 | 55 | Restaurant Associates Industries Inc. | Dec. | Acapulco, Charlie Brown's, The Office Restaurant, Mama Leone's | 217.0 | 207.0 | 195.0 |
| 60 | 57 | Specialty Restaurants Corp. | July | 94th Squadron, Baby Doe's, Crawdaddy's, Castaway | 212.0 | 200.0 | 183.0 |
| 61 | 60 | Circle K. Corp. | April | Circle K C-Stores | 204.2 | 187.0 | 169.0 |
| 62 | 61 | Hilton Hotels Corp. | Dec. | Hilton Hotels, Conrad International, Hilton Suites, Cresthil by Hilton | 201.1 | 185.0 | 176.0 |
| 63 | 63 | Gilbert-Robinson Inc. | Dec. | Houlihan's | 198.6 | 179.6 | 164.3 |
| 64 | 65 | Horn & Hardart Co. | Dec. | Burger King, Arby's, Tony Roma's, International King's Table | 190.5 | 175.4 | 106.2 |
| 65 | 64 | Krystal Co. | Dec. | Krystal | 184.0 | 178.0 | 184.0 |
| 66 | 66 | Wyatt Cafeterias Inc. | Dec. | Wyatt Cafeteria's | 180.1 | 175.3 | 178.5 |
| 67 | 62 | Holiday Corp. [6] | Dec. | Holiday Inn, Embassy suites, Harrah's | 179.7 | 181.7 | 196.5 |
| 68 | 70 | DWG Corp. | Dec. | Arby's | 175.5 | 153.8 | 136.1 |
| 69 | 75 | Abela Enterprises Inc. | Dec. | Wood Co. | 170.0 | 138.6 | 121.5 |
| 70 | 71 | Show Biz Pizza Time Inc. | Dec. | Chuck E. Cheese/Pizza Time | 168.7 | 151.4 | 125.8 |
| 71 | 67 | F.W. Woolworth Inc. | Jan. | Burger King, In-store restaurants | 163.2 | 162.2 | 167.7 |
| 72 | 72 | Unigate Restaurants Inc. | Mar. | Taco Bueno, Casa Bonita, Black-Eyed Pea | 160.0 | 147.0 | 138.0 |
| 73 | 74 | Club Corp. International | Dec. | Clubsand Resorts | 155.5 | 140.0 | 127.0 |
| 74 | 83 | Sbarro Inc. | Dec. | Sbarro | 155.0 | 114.0 | 84.4 |
| 75 | 77 | Carrols Corp. | Dec. | Burger King | 155.0 | 133.5 | 130.0 |
| 76 | 69 | DeNova Corp. | Dec. | Dog 'N Suds, Tastee Freez International | 151.0 | 155.0 | 157.0 |
| 77 | 79 | RTM Inc. | May | Arby's | 150.0 | 128.0 | 106.0 |
| 78 | 68 | Winchell's Donut Houses L.P. [7] | Dec. | Winchell's | 145.0 | 158.5 | 171.8 |
| 79 | 82 | National Pizza Co. | Mar | Pizza Hut | 141.7 | 119.7 | 98.6 |
| 80 | 80 | Wilshire Restaurant Group | Dec. | Marie Callender's | 140.0 | 124.0 | 119.6 |
| 81 | 76 | Frisch's Restaurants Inc. | May | Big Boy, Roy Rogers | 139.5 | 137.4 | 133.0 |
| 82 | 85 | Cracker Barrel Old Country Store Inc. | July | Cracker Barrel | 139.0 | 104.9 | 83.0 |
| 83 | 102 | Pantera's Corp. | June | Pizza Inn, Pantera's | 139.0 | 24.8 | 33.7 |
| 84 | 78 | Papa Gino's of America | Sept. | Papa Gino's Pizza | 137.4 | 128.3 | 116.6 |
| 85 | 84 | Dunkin' Donuts | Oct. | Dunkin' Donuts, Chili's | 130.0 | 112.8 | 106.0 |
| 86 | 87 | TCBY | Nov. | TCBY | 121.5 | 98.0 | 69.0 |
| 87 | 94 | Buffets Inc. | Dec. | Old Country Buffet | 115.5 | 72.7 | 48.6 |
| 88 | 81 | Rax Restaurants Inc. | July | Rax | 110.9 | 123.1 | 124.0 |
| 89 | 86 | Consolidated Products Inc. | Sept. | Steak n Shake | 104.5 | 101.1 | 97.3 |
| 90 | 88 | Waffle House Inc. | June | Waffle House | 95.9 | 91.7 | 84.6 |
| 91 | 89 | Sybra Inc. | Dec. | Arby's | 92.0 | 81.2 | 69.2 |
| 92 | 91 | Godfather's Pizza Inc. | May | Godfather's | 86.2 | 79.3 | 91.6 |
| 93 | 92 | Skipper's Inc. | Dec. | Skipper's | 85.0 | 79.0 | 79.8 |
| 94 | 58 | Ramada Inc. [8] | Dec. | Tropicana | 82.5 | 195.0 | 180.6 |
| 95 | 93 | IHOP Corp. | Dec. | International House of Pancakes | 82.0 | 74.0 | 74.9 |
| 96 | 95 | National Convenience Stores | June | Stop and Go | 72.0 | 65.0 | 50.0 |
| 97 | 97 | WSMP, Inc. [9] | Feb. | Western Steer | 57.1 | 42.2 | 32.4 |
| 98 | 96 | Carousel Snack Barns of MN, Inc. | May | Carousel | 52.0 | 52.9 | 48.0 |
| 99 | 98 | Uno Restaurant Corporation | Sept. | Pizzeria Uno | 44.7 | 31.6 | 21.6 |
| 100 | 99 | Doctors Associates | Dec. | Subway | 38.8 | 31.0 | 22.7 |
| TOTAL: | | | | | $52,801.3 | $48,215.4 | $42,830.1 |

Source: NRN Research

## FOOTNOTES

[1] Marriott Corp. has agreed to sell a controlling interest in its In-Flite business to Caterair. Completion of the deal would substantially reduce Marriott's 1989 revenues and lower the company's ranking accordingly.

[2] TW Services has agreed to be acquired by Coniston Partners. Completion of the buyout would land Coniston in this berth.

[3] Curt Carlson, the owner of Carlson Cos. and holder of an 80-percent stake in TGI Friday's, has tendered a bid for the Friday's shares he does not already own. Completion of a buyout would pull Friday's revenues into Carlson Cos.'s results. Friday's would drop from the company listing.

[4] Hanson Trust PLC has agreed to sell its sole food-service business, the Ground Round family restaurant chain, to International Protein Corp. Completion of the deal would land IPC in this slot in place of Hanson.

[5] Riese Organization's revenues reflect the company's 40-percent stake in Gilbert-Robinson, operator of the Houlihan's chain.

[6] Holiday Corp.'s food-service revenues reflect the company's stake in Tennessee Restaurant Corp., operator of the Perkins and Friendly family restaurant chains.

[7] Winchell's Donut Houses has agreed to sell its doughnut business to Shato Holdings Ltd. for $40 million. The transaction would land Shato in this berth.

[8] Ramada Inc. plans to change its name to Aztar Corp. after its financial restructuring is completed.

[9] WSMP was formerly known as Western Steer-Mom 'n' Pop's.

# FOCUS | TOP 100

## TOP 100 CHAINS RANKED BY NUMBER OF UNITS

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | 8,276 | 7,907 | 7,567 |
| 2 | 2 | 7-Eleven | Dec. | 6,680 | 6,391 | 7,418 |
| 3 | 3 | Pizza Hut | Jan. | 6,050 | 5,707 | 5,394 |
| 4 | 4 | Burger King | Sept. | 5,361 | 5,020 | 4,701 |
| 5 | 6 | Domino's | May | 5,008 | 4,893 | 4,279 |
| 6 | 5 | Kentucky Fried Chicken | Dec. | 4,997 | 4,899 | 4,814 |
| 7 | 7 | Dairy Queen | Nov. | 4,700 | 4,556 | 4,422 |
| 8 | 8 | Circle K | April | 4,066 | 4,077 | 3,507 |
| 9 | 9 | Wendy's | Jan. | 3,697 | 3,521 | 3,582 |
| 10 | 11 | Subway Sandwiches & Salads | Dec. | 3,440 | 2,900 | 2,000 |
| 11 | 10 | Hardee's | Dec. | 3,327 | 3,110 | 2,912 |
| 12 | 12 | Taco Bell | Dec. | 3,080 | 2,878 | 2,696 |
| 13 | 14 | Little Caesars Pizza | Dec. | 2,747 | 2,180 | 1,308 |
| 14 | 13 | Baskin Hobbins | Dec. | 2,600 | 2,500 | 2,628 |
| 15 | 15 | ARA Services (ARA SERV) | Sept. | 2,500 | 2,180 | 1,850 |
| 16 | 17 | Arby's | Dec. | 2,158 | 1,949 | 1,763 |
| 17 | 16 | Marriott Food Services Management | Dec. | 2,005 | 1,957 | 1,896 |
| 18 | 19 | Dunkin' Donuts | Oct. | 1,925 | 1,764 | 1,669 |
| 19 | 18 | Canteen | Dec. | 1,836 | 1,800 | 1,774 |
| 20 | 23 | Service America | March | 1,700 | 1,360 | 1,088 |
| 21 | 24 | TCBY | Nov. | 1,600 | 1,175 | 822 |
| 22 | 22 | Long John Silver's | June | 1,525 | 1,469 | 1,420 |
| 23 | 20 | Holiday Inn | Dec. | 1,479 | 1,526 | 1,486 |
| 24 | 25 | Denny's | Dec. | 1,300 | 1,100 | 1,000 |
| 25 | 28 | Jack in the Box | Oct. | 1,031 | 966 | 897 |
| 26 | 26 | Big Boy | Dec. | 1,030 | 1,030 | 960 |
| 27 | 34 | Popeye's Famous Fried Chicken & Biscuits | Oct. | 1,030 | 715 | 675 |
| 28 | 21 | Church's Fried Chicken | Dec. | 1,028 | 1,481 | 1,495 |
| 29 | 27 | Sonic Drive-In | Aug. | 1,000 | 980 | 955 |
| 30 | 31 | Carvel | Dec. | 914 | 897 | 880 |
| 31 | 30 | Quality Inns | May | 896 | 925 | 770 |
| 32 | 33 | Morrison Custom Management | May | 890 | 802 | 680 |
| 33 | 32 | Friendly | Dec. | 848 | 840 | 842 |
| 34 | 36 | Pizza Inn | June | 758 | 666 | 677 |
| 35 | 35 | Ponderosa Steak Houses | Feb. | 720 | 695 | 661 |
| 36 | 29 | Woolworth | Jan. | 715 | 940 | 927 |
| 37 | 37 | Shoney's | Oct. | 704 | 636 | 604 |
| 38 | 39 | Roy Rogers | Dec. | 660 | 606 | 556 |
| 39 | 38 | Bonanza Family Restaurants | Dec. | 652 | 612 | 600 |
| 40 | 42 | Sizzler Steak Seafood & Salad | April | 628 | 587 | 547 |
| 41 | 41 | Captain D's Seafood | Oct. | 602 | 588 | 574 |
| 42 | 40 | Waffle House | June | 600 | 600 | 650 |
| 43 | 46 | Round Table Pizza | June | 550 | 530 | 520 |
| 44 | 44 | Western Sizzlin Restaurants | Dec. | 550 | 579 | 594 |
| 45 | 45 | Seiler Corp. | Aug. | 540 | 530 | 400 |
| 46 | 52 | Marriott Hotels & Resorts | Dec. | 528 | 437 | 349 |
| 47 | 43 | Godfather's Pizza | May | 523 | 580 | 605 |
| 48 | 47 | Rax | July | 510 | 521 | 520 |
| 49 | 49 | Ramada Inn | Dec. | 507 | 501 | 494 |
| 50 | 48 | Golden Corral Family Steakhouse | Dec. | 501 | 505 | 514 |
| 51 | 51 | Carl's Jr. | Jan. | 482 | 443 | 436 |
| 52 | 50 | Whataburger | Sept. | 480 | 470 | 445 |
| 53 | 53 | International House of Pancakes | Dec. | 456 | 436 | 436 |
| 54 | 54 | Red Lobster | May | 441 | 402 | 392 |
| 55 | 56 | Chick-Fil-A | Dec. | 410 | 386 | 363 |
| 56 | 55 | Dobbs International/Dobbs Houses | Dec. | 408 | 396 | 377 |
| 57 | 58 | Daka | June | 400 | 355 | 319 |
| 58 | 57 | Del Taco | Dec. | 371 | 371 | 376 |
| 59 | 59 | Perkins | Dec. | 370 | 341 | 334 |
| 60 | 60 | Sheraton Hotels | Dec. | 356 | 339 | 353 |
| 61 | 64 | Sbarro the Italian Eatery | Dec. | 316 | 253 | 190 |
| 62 | 61 | Hilton Hotels | Dec. | 278 | 272 | 274 |
| 63 | 62 | Chuck E. Cheese/Pizza Time Theatre | Dec. | 258 | 258 | 262 |
| 64 | 65 | White Castle | Dec. | 250 | 235 | 229 |
| 65 | 63 | Village Inn | Oct. | 249 | 256 | 276 |
| 66 | 66 | Krystal | Dec. | 233 | 232 | 243 |
| 67 | 67 | Howard Johnson | April | 230 | 230 | 255 |
| 68 | 74 | Disney Theme Parks | Sept. | 227 | 185 | 182 |
| 69 | 71 | Bob Evans Farms | April | 222 | 201 | 175 |
| 70 | 68 | Bennigan's | May | 222 | 214 | 206 |
| 71 | 70 | Quincy's Family Steakhouse | Dec. | 220 | 211 | 215 |
| 72 | 69 | Ground Round | Sept. | 218 | 212 | 190 |
| 73 | 73 | Chi-Chi's | Oct. | 203 | 196 | 197 |
| 74 | 72 | Marriott In-Flite/Host | Dec. | 202 | 198 | 194 |
| 75 | 76 | El Pollo Loco | Dec. | 200 | 165 | 115 |
| 76 | 75 | El Torito | Dec. | 182 | 178 | 191 |
| 77 | 77 | Morrison's Family Dining | May | 170 | 163 | 156 |
| 78 | 81 | Chili's Grill & Bar | June | 170 | 146 | 114 |
| 79 | 79 | Furr's/Bishop's Cafeterias | Dec. | 160 | 157 | 154 |
| 80 | 78 | Steak and Ale | May | 159 | 162 | 178 |
| 81 | 85 | Radisson Hotels | Dec. | 156 | 122 | 91 |
| 82 | 82 | Bakers Square | Oct. | 155 | 145 | 138 |
| 83 | 80 | Marie Callender's | Dec. | 155 | 149 | 135 |
| 84 | 83 | T.G.I. Friday's | Jan. | 153 | 133 | 128 |
| 85 | 91 | Olive Garden | May. | 144 | 92 | 52 |
| 86 | 86 | Ryan's Family Steak Houses | Dec. | 142 | 122 | 95 |
| 87 | 84 | Piccadilly Cafeterias | June | 138 | 123 | 116 |
| 88 | 88 | Luby's Cafeteria | Aug. | 124 | 113 | 103 |
| 89 | 89 | Marriott Travel Plazas | Dec. | 123 | 97 | 89 |
| 90 | 87 | Wyatt Cafeterias | Dec. | 121 | 120 | 119 |
| 91 | 90 | Tony Roma's | Feb. | 115 | 93 | 76 |
| 92 | 92 | Hyatt Hotels | Jan. | 93 | 86 | 74 |
| 93 | 93 | Stuart Anderson's Black Angus | Dec. | 86 | 85 | 85 |
| 94 | 94 | Sportservice | Dec. | 69 | 67 | 61 |
| 95 | 95 | Houlihan's | Dec. | 68 | 64 | 62 |
| 96 | 96 | Ogden Allied Leisure Services | Dec. | 67 | 63 | 59 |
| 97 | 97 | Concession Air | Dec. | 45 | 45 | 40 |
| 98 | 98 | Harry M. Stevens | Dec. | 40 | 38 | 38 |
| 99 | 100 | Westin Hotels & Resorts | Dec. | 36 | 34 | 31 |
| 100 | 99 | Sky Chefs | Dec. | 35 | 35 | 34 |

Source: NRN Research

## TOP 100 CHAINS RANKED BY SALES PER UNIT

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Sky Chefs | Dec. | $11,542.0 | $10,177.0 | $9,810.0 |
| 2 | 2 | Westin Hotels & Resorts | Dec. | 8,400.0 | 8,400.0 | 8,760.0 |
| 3 | 3 | Marriott In-Flite/Host | Dec. | 5,010.0 | 5,353.0 | 5,082.0 |
| 4 | 4 | Concession Air | Dec. | 4,340.0 | 4,000.0 | 4,075.0 |
| 5 | 5 | Ogden Allied Leisure Services | Dec. | 3,880.0 | 3,825.0 | 3,559.0 |
| 6 | 6 | Hyatt Hotels | Jan. | 3,350.0 | 3,280.0 | 3,510.0 |
| 7 | 8 | T.G.I. Friday's | Jan. | 3,200.0 | 3,000.0 | 2,900.0 |
| 8 | 7 | Hilton Hotels | Dec. | 3,100.0 | 3,080.0 | 3,040.0 |
| 9 | 10 | Sportservice | Dec. | 3,030.0 | 2,880.0 | 2,850.0 |
| 10 | 9 | Sheraton Hotels | Dec. | 2,990.0 | 2,960.0 | 2,890.0 |
| 11 | 11 | Houlihan's | Dec. | 2,990.0 | 2,850.0 | 2,690.0 |
| 12 | 13 | Red Lobster | May | 2,800.0 | 2,650.0 | 2,450.0 |
| 13 | 14 | Olive Garden | May. | 2,700.0 | 2,600.0 | 2,500.0 |
| 14 | 12 | Marriott Travel Plazas | Dec. | 2,440.0 | 2,814.0 | 2,593.0 |
| 15 | 15 | Luby's Cafeteria | Aug. | 2,395.0 | 2,345.0 | 2,384.0 |
| 16 | 17 | Tony Roma's | Feb. | 2,380.0 | 2,280.0 | 2,190.0 |
| 17 | 19 | Stuart Anderson's Black Angus | Dec. | 2,300.0 | 2,200.0 | 2,200.0 |
| 18 | 21 | Chi-Chi's | Oct. | 2,250.0 | 2,173.0 | 2,045.0 |
| 19 | 18 | Disney Theme Parks | Sept. | 2,229.0 | 2,205.0 | 2,010.0 |
| 20 | 22 | El Torito | Dec. | 2,220.0 | 2,090.0 | 2,080.0 |
| 21 | 16 | Marriott Hotels & Resorts | Dec. | 2,170.0 | 2,340.0 | 2,550.0 |
| 22 | 20 | Bennigan's | May | 2,100.0 | 2,200.0 | 2,200.0 |
| 23 | 23 | Chili's Grill & Bar | June | 2,100.0 | 2,000.0 | 1,950.0 |
| 24 | 25 | Ryan's Family Steak Houses | Dec. | 2,080.0 | 1,930.0 | 1,950.0 |
| 25 | 24 | Piccadilly Cafeterias | June | 1,985.0 | 1,949.0 | 1,933.0 |
| 26 | 26 | Morrison's Family Dining | May | 1,900.0 | 1,870.0 | 1,820.0 |
| 27 | 28 | Furr's/Bishop's Cafeterias | Dec. | 1,800.0 | 1,764.7 | 1,695.3 |
| 28 | 29 | Marie Callender's | Dec. | 1,800.0 | 1,610.0 | 1,588.0 |
| 29 | 27 | Radisson Hotels | Dec. | 1,700.0 | 1,770.0 | 1,860.0 |
| 30 | 31 | McDonald's | Dec. | 1,600.0 | 1,500.0 | 1,500.0 |
| 31 | 30 | Wyatt Cafeterias | Dec. | 1,500.0 | 1,500.0 | 1,500.0 |
| 32 | 34 | Sizzler Steak Seafood & Salad | April | 1,430.0 | 1,360.0 | 1,230.0 |
| 33 | 33 | Shoney's | Oct. | 1,430.0 | 1,371.0 | 1,361.0 |
| 34 | 36 | Ground Round | Sept. | 1,400.0 | 1,300.0 | 1,150.0 |
| 35 | 32 | Bob Evans Farms | April | 1,395.0 | 1,400.0 | 1,370.0 |
| 36 | 37 | Bakers Square | Oct. | 1,380.0 | 1,294.0 | 1,225.0 |
| 37 | 39 | Perkins | Dec. | 1,304.0 | 1,230.0 | 1,119.0 |
| 38 | 35 | Steak and Ale | May | 1,300.0 | 1,300.0 | 1,400.0 |
| 39 | 38 | White Castle | Dec. | 1,250.0 | 1,240.0 | 1,260.0 |
| 40 | 41 | Dobbs International/Dobbs Houses | Dec. | 1,238.0 | 1,170.0 | 1,190.0 |
| 41 | 40 | Quincy's Family Steakhouse | Dec. | 1,218.0 | 1,179.0 | 952.0 |
| 42 | 42 | Chuck E. Cheese/Pizza Time Theatre | Dec. | 1,187.4 | 1,109.8 | 1,036.9 |
| 43 | 45 | Marriott Food Services Management | Dec. | 1,167.0 | 1,080.0 | 1,006.0 |
| 44 | 44 | Denny's | Dec. | 1,105.0 | 1,090.0 | 1,059.0 |
| 45 | 43 | Big Boy | Dec. | 1,100.0 | 1,100.0 | 1,070.0 |
| 46 | 46 | El Pollo Loco | Dec. | 1,100.0 | 1,050.0 | 1,000.0 |
| 47 | 49 | Burger King | Sept. | 1,050.0 | 1,000.0 | 1,020.0 |
| 48 | 48 | 7-Eleven | Dec. | 1,050.0 | 1,000.0 | 908.0 |
| 49 | 51 | Carl's Jr. | Jan. | 1,000.0 | 939.8 | 772.0 |
| 50 | 52 | Roy Rogers | Dec. | 1,000.0 | 935.0 | 900.0 |
| 51 | 55 | Jack in the Box | Oct. | 1,000.0 | 903.0 | 797.0 |
| 52 | 54 | Village Inn | Oct. | 990.0 | 917.0 | 874.0 |
| 53 | 47 | Ponderosa Steak Houses | Feb. | 986.1 | 1,001.4 | 984.9 |
| 54 | 50 | Bonanza Family Restaurants | Dec. | 975.0 | 940.0 | 918.0 |
| 55 | 53 | Hardee's | Dec. | 964.0 | 920.0 | 877.0 |
| 56 | 56 | Golden Corral Family Steakhouse | Dec. | 943.0 | 888.0 | 861.5 |
| 57 | 60 | Western Sizzlin Restaurants | Dec. | 909.1 | 774.0 | 790.2 |
| 58 | 57 | Canteen | Dec. | 899.2 | 887.2 | 831.5 |
| 59 | 58 | Whataburger | Sept. | 850.0 | 840.0 | 800.0 |
| 60 | 59 | Howard Johnson | April | 800.0 | 795.0 | 750.0 |
| 61 | 63 | Wendy's | Jan. | 797.0 | 759.0 | 741.0 |
| 62 | 61 | Krystal | Dec. | 790.0 | 765.0 | 765.0 |
| 63 | 67 | International House of Pancakes | Dec. | 713.0 | 668.0 | 639.0 |
| 64 | 66 | Friendly | Dec. | 700.0 | 685.0 | 683.0 |
| 65 | 74 | Taco Bell | Dec. | 677.0 | 589.0 | 579.0 |
| 66 | 70 | Chick-Fil-A | Dec. | 662.0 | 622.0 | 575.0 |
| 67 | 68 | Captain D's Seafood | Oct. | 660.0 | 630.0 | 631.0 |
| 68 | 71 | Sbarro the Italian Eatery | Dec. | 657.0 | 619.0 | 605.0 |
| 69 | 69 | Ramada Inn | Dec. | 650.2 | 627.5 | 613.9 |
| 70 | 72 | Arby's | Dec. | 650.0 | 609.0 | 575.0 |
| 71 | 64 | Popeye's Famous Fried Chicken & Biscuits | Oct. | 630.0 | 725.0 | 710.0 |
| 72 | 65 | Rax | July | 629.0 | 699.0 | 702.0 |
| 73 | 62 | Service America | March | 611.0 | 760.0 | 934.0 |
| 74 | 73 | Kentucky Fried Chicken | Dec. | 600.4 | 597.0 | 558.0 |
| 75 | 77 | Harry M. Stevens | Dec. | 577.5 | 566.0 | 505.0 |
| 76 | 81 | Pizza Hut | Jan. | 572.0 | 520.0 | 490.0 |
| 77 | 76 | Del Taco | Dec. | 570.6 | 568.7 | 577.1 |
| 78 | 78 | Circle K | April | 563.7 | 561.4 | 560.1 |
| 79 | 75 | ARA Services (ARA SERV) | Sept. | 542.8 | 578.4 | 618.9 |
| 80 | 80 | Long John Silver's | June | 540.0 | 528.3 | 526.8 |
| 81 | 79 | Daka | June | 525.0 | 538.0 | 571.0 |
| 82 | 82 | Round Table Pizza | June | 500.0 | 490.0 | 480.0 |
| 83 | 83 | Dunkin' Donuts | Oct. | 490.0 | 479.8 | 465.3 |
| 84 | 84 | Quality Inns | May | 480.4 | 454.2 | 446.0 |
| 85 | 85 | Pizza Inn | June | 468.6 | 450.0 | 430.0 |
| 86 | 86 | Holiday Inn | Dec. | 452.5 | 449.7 | 477.2 |
| 87 | 88 | Seiler Corp. | Aug. | 442.2 | 424.0 | 462.5 |
| 88 | 87 | Domino's | May | 441.0 | 439.0 | 432.0 |
| 89 | 90 | Godfather's Pizza | May | 440.0 | 414.0 | 410.0 |
| 90 | 91 | Dairy Queen | Nov. | 440.0 | 408.2 | 375.0 |
| 91 | 89 | Little Caesars Pizza | Dec. | 428.0 | 421.0 | 398.4 |
| 92 | 93 | Sonic Drive-In | Aug. | 395.0 | 356.0 | 320.5 |
| 93 | 94 | Waffle House | June | 366.0 | 350.0 | 303.0 |
| 94 | 92 | Church's Fried Chicken | Dec. | 350.0 | 377.7 | 357.1 |
| 95 | 95 | Morrison Custom Management | May | 349.0 | 332.0 | 245.0 |
| 96 | 96 | Carvel | Dec. | 260.0 | 255.0 | 250.0 |
| 97 | 97 | Woolworth | Jan. | 250.0 | 249.0 | 243.0 |
| 98 | 98 | TCBY | Nov. | 237.4 | 224.0 | 210.0 |
| 99 | 99 | Subway Sandwiches & Salads | Dec. | 234.0 | 201.0 | 172.0 |
| 100 | 100 | Baskin Robbins | Dec. | 194.0 | 188.4 | 179.4 |
| | | AVERAGE: | | $ 1,472.4 | $ 1,427.9 | $1,394.9 |

Source: NRN Research

# FOCUS | TOP 100

## TOP 100 RESTAURANT CHAINS RANKED BY MARKET SHARE

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | 15.09% | 15.07% | 15.24% |
| 2 | 2 | Burger King | Sept. | 6.24 | 6.41 | 6.61 |
| 3 | 5 | Pizza Hut | Jan. | 3.78 | 3.71 | 3.17 |
| 4 | 4 | Hardee's | Dec. | 3.71 | 3.72 | 3.75 |
| 5 | 3 | Kentucky Fried Chicken | Dec. | 3.66 | 3.84 | 3.89 |
| 6 | 6 | Wendy's | Jan. | 3.49 | 3.60 | 3.89 |
| 7 | 7 | Domino's | May | 3.17 | 3.05 | 2.74 |
| 8 | 8 | Marriott Food Services Management | Dec. | 2.86 | 2.81 | 2.73 |
| 9 | 9 | Dairy Queen | Nov. | 2.52 | 2.46 | 2.39 |
| 10 | 10 | Taco Bell | Dec. | 2.25 | 2.12 | 2.22 |
| 11 | 11 | Canteen | Dec. | 2.02 | 2.12 | 2.12 |
| 12 | 12 | ARA Services (ARA SERV) | Sept. | 1.66 | 1.67 | 1.65 |
| 13 | 13 | Denny's | Dec. | 1.59 | 1.63 | 1.92 |
| 14 | 14 | Arby's | Dec. | 1.59 | 1.46 | 1.35 |
| 15 | 16 | Red Lobster | May | 1.46 | 1.39 | 1.41 |
| 16 | 21 | Little Caesars Pizza | Dec. | 1.46 | 1.20 | 1.04 |
| 17 | 19 | Marriott Hotels & Resorts | Dec. | 1.40 | 1.35 | 1.28 |
| 18 | 20 | Sheraton Hotels | Dec. | 1.30 | 1.33 | 1.47 |
| 19 | 18 | Big Boy | Dec. | 1.27 | 1.36 | 1.48 |
| 20 | 17 | Service America | March | 1.27 | 1.37 | 1.46 |
| 21 | 22 | Dunkin' Donuts | Oct. | 1.24 | 1.17 | 1.14 |
| 22 | 15 | Marriott In-Flite/Host | Dec. | 1.23 | 1.40 | 1.42 |
| 23 | 25 | Jack in the Box | Oct. | 1.07 | 1.03 | 0.94 |
| 24 | 23 | Hilton Hotels | Dec. | 1.05 | 1.11 | 1.20 |
| 25 | 24 | Shoney's | Oct. | 1.05 | 1.06 | 1.04 |
| 26 | 27 | Sizzler Steak Seafood & Salad | April | 1.03 | 0.99 | 0.91 |
| 27 | 31 | Subway Sandwiches & Salads | Dec. | 0.98 | 0.77 | 0.50 |
| 28 | 26 | Long John Silver's | June | 0.96 | 1.00 | 1.06 |
| 29 | 28 | Ponderosa Steak Houses | Feb. | 0.87 | 0.92 | 0.94 |
| 30 | 30 | 7-Eleven | Dec. | 0.82 | 0.85 | 0.97 |
| 31 | 29 | Holiday Inn | Dec. | 0.82 | 0.91 | 1.01 |
| 32 | 32 | Roy Rogers | Dec. | 0.76 | 0.76 | 0.76 |
| 33 | 33 | Bonanza Family Restaurants | Dec. | 0.76 | 0.76 | 0.66 |
| 34 | 34 | Friendly | Dec. | 0.72 | 0.75 | 0.82 |
| 35 | 38 | Popeye's Famous Fried Chicken & Biscuits | Oct. | 0.72 | 0.63 | 0.66 |
| 36 | 36 | Baskin Robbins | Dec. | 0.64 | 0.66 | 0.68 |
| 37 | 44 | Disney Theme Parks | Sept. | 0.62 | 0.54 | 0.53 |
| 38 | 39 | Dobbs International/Dobbs Houses | Dec. | 0.62 | 0.61 | 0.65 |
| 39 | 37 | Western Sizzlin Restaurants | Dec. | 0.61 | 0.65 | 0.67 |
| 40 | 45 | Carl's Jr. | Jan. | 0.59 | 0.53 | 0.50 |
| 41 | 40 | Golden Corral Family Steakhouse | Dec. | 0.57 | 0.60 | 0.62 |
| 42 | 41 | Bennigan's | May | 0.56 | 0.60 | 0.65 |
| 43 | 48 | Perkins | Dec. | 0.55 | 0.50 | 0.50 |
| 44 | 43 | Quality Inns | May | 0.53 | 0.56 | 0.49 |
| 45 | 42 | Chi-Chi's | Oct. | 0.52 | 0.57 | 0.59 |
| 46 | 47 | T.G.I. Friday's | Jan. | 0.50 | 0.51 | 0.52 |
| 47 | 46 | El Torito | Dec. | 0.49 | 0.51 | 0.58 |
| 48 | 52 | Sonic Drive-In | Aug. | 0.48 | 0.45 | 0.44 |
| 49 | 51 | Sky Chefs | Dec. | 0.47 | 0.47 | 0.48 |
| 50 | 50 | Captain D's Seafood | Oct. | 0.47 | 0.48 | 0.49 |
| 51 | 35 | Church's Fried Chicken | Dec. | 0.44 | 0.74 | 0.77 |
| 52 | 53 | Pizza Inn | June | 0.42 | 0.44 | 0.45 |
| 53 | 55 | Whataburger | Sept. | 0.42 | 0.41 | 0.37 |
| 54 | 63 | Morrison Custom Management | May | 0.41 | 0.35 | 0.24 |
| 55 | 65 | Chili's Grill & Bar | June | 0.40 | 0.34 | 0.28 |
| 56 | 49 | Rax | July | 0.40 | 0.49 | 0.52 |
| 57 | 54 | Ramada Inn | Dec. | 0.40 | 0.42 | 0.44 |
| 58 | 56 | International House of Pancakes | Dec. | 0.40 | 0.39 | 0.43 |
| 59 | 57 | Morrison's Family Dining | May | 0.39 | 0.39 | 0.40 |
| 60 | 60 | Hyatt Hotels | Jan. | 0.38 | 0.37 | 0.37 |
| 61 | 58 | Westin Hotels & Resorts | Dec. | 0.37 | 0.38 | 0.39 |
| 62 | 61 | Marriott Travel Plazas | Dec. | 0.37 | 0.36 | 0.34 |
| 63 | 85 | TCBY | Nov. | 0.37 | 0.28 | 0.17 |
| 64 | 99 | Olive Garden | May. | 0.37 | 0.23 | 0.11 |
| 65 | 67 | Ground Round | Sept. | 0.37 | 0.34 | 0.31 |
| 66 | 59 | White Castle | Dec. | 0.37 | 0.37 | 0.41 |
| 67 | 73 | Ryan's Family Steak Houses | Dec. | 0.36 | 0.31 | 0.27 |
| 68 | 66 | Bob Evans Farms | April | 0.36 | 0.34 | 0.32 |
| 69 | 62 | Furr's/Bishop's Cafeterias | Dec. | 0.35 | 0.36 | 0.37 |
| 70 | 68 | Luby's Cafeteria | Aug. | 0.35 | 0.34 | 0.34 |
| 71 | 64 | Chuck E. Cheese/Pizza Time Theatre | Dec. | 0.34 | 0.35 | 0.34 |
| 72 | 74 | Piccadilly Cafeterias | June | 0.33 | 0.31 | 0.31 |
| 73 | 76 | Chick-Fil-A | Dec. | 0.33 | 0.30 | 0.29 |
| 74 | 77 | Marie Callender's | Dec. | 0.32 | 0.30 | 0.30 |
| 75 | 70 | Round Table Pizza | June | 0.32 | 0.33 | 0.36 |
| 76 | 82 | Radisson Hotels | Dec. | 0.32 | 0.29 | 0.24 |
| 77 | 72 | Ogden Allied Leisure Services | Dec. | 0.32 | 0.32 | 0.30 |
| 78 | 69 | Quincy's Family Steakhouse | Dec. | 0.32 | 0.33 | 0.32 |
| 79 | 90 | Tony Roma's | Feb. | 0.29 | 0.25 | 0.21 |
| 80 | 80 | Seiler Corp. | Aug. | 0.29 | 0.30 | 0.27 |
| 81 | 79 | Carvel | Dec. | 0.29 | 0.30 | 0.32 |
| 82 | 71 | Godfather's Pizza | May | 0.29 | 0.32 | 0.38 |
| 83 | 83 | Harry M. Stevens | Dec. | 0.28 | 0.28 | 0.28 |
| 84 | 78 | Village Inn | Oct. | 0.28 | 0.30 | 0.31 |
| 85 | 98 | El Pollo Loco | Dec. | 0.27 | 0.23 | 0.17 |
| 86 | 86 | Waffle House | June | 0.27 | 0.28 | 0.27 |
| 87 | 81 | Steak and Ale | May | 0.26 | 0.29 | 0.37 |
| 88 | 89 | Bakers Square | Oct. | 0.26 | 0.25 | 0.22 |
| 89 | 84 | Del Taco | Dec. | 0.26 | 0.28 | 0.31 |
| 90 | 88 | Daka | June | 0.26 | 0.25 | 0.26 |
| 91 | 87 | Sportservice | Dec. | 0.26 | 0.26 | 0.25 |
| 92 | 91 | Circle K | April | 0.25 | 0.25 | 0.24 |
| 93 | 100 | Sbarro the Italian Eatery | Dec. | 0.24 | 0.20 | 0.17 |
| 94 | 92 | Stuart Anderson's Black Angus | Dec. | 0.24 | 0.25 | 0.27 |
| 95 | 95 | Houlihan's | Dec. | 0.24 | 0.24 | 0.24 |
| 96 | 94 | Concession Air | Dec. | 0.24 | 0.24 | 0.23 |
| 97 | 96 | Krystal | Dec. | 0.22 | 0.24 | 0.27 |
| 98 | 93 | Howard Johnson | April | 0.22 | 0.24 | 0.36 |
| 99 | 97 | Wyatt Cafeterias | Dec. | 0.22 | 0.23 | 0.26 |
| 100 | 75 | Woolworth | Jan. | 0.22 | 0.31 | 0.37 |

Source: NRN Research

## TOP 100 CHAINS RANKED BY GROWTH IN UNIT TOTALS

(year-to-year percentage change)

| Rank 1989 | Rank 1988 | Company | Fiscal Year Ends | Percent Change '88 vs.'89 | '88 vs.'87 |
|---|---|---|---|---|---|
| 1 | 1 | Olive Garden | May | 56.52% | 76.92% |
| 2 | 41 | Popeye's Famous Fried Chicken & Biscuits | Oct. | 44.06 | 5.93 |
| 3 | 5 | TCBY | Nov. | 36.17 | 42.94 |
| 4 | 6 | Radisson Hotels | Dec. | 27.87 | 34.07 |
| 5 | 31 | Marriott Travel Plazas | Dec. | 26.80 | 8.99 |
| 6 | 2 | Little Caesars Pizza | Dec. | 26.01 | 66.67 |
| 7 | 12 | Service America | March | 25.00 | 25.00 |
| 8 | 7 | Sbarro the Italian Eatery | Dec. | 24.90 | 33.16 |
| 9 | 13 | Tony Roma's | Feb. | 23.66 | 22.37 |
| 10 | 70 | Disney Theme Parks | Sept. | 22.70 | 1.65 |
| 11 | 4 | El Pollo Loco | Dec. | 21.21 | 43.48 |
| 12 | 11 | Marriott Hotels & Resorts | Dec. | 20.82 | 25.21 |
| 13 | 3 | Subway Sandwiches & Salads | Dec. | 18.62 | 45.00 |
| 14 | 26 | Denny's | Dec. | 18.18 | 10.00 |
| 15 | 10 | Chili's Grill & Bar | June | 16.44 | 28.07 |
| 16 | 9 | Ryan's Family Steak Houses | Dec. | 16.39 | 28.42 |
| 17 | 51 | T.G.I. Friday's | Jan. | 15.04 | 3.91 |
| 18 | 16 | ARA Services (ARA SERV) | Sept. | 14.68 | 17.84 |
| 19 | 86 | Pizza Inn | June | 13.81 | – 1.62 |
| 20 | 23 | Daka | June | 12.68 | 11.29 |
| 21 | 40 | Piccadilly Cafeterias | June | 12.20 | 6.03 |
| 22 | 15 | Morrison Custom Management | May | 10.97 | 17.94 |
| 23 | 24 | Arby's | Dec. | 10.72 | 10.55 |
| 24 | 45 | Shoney's | Oct. | 10.69 | 5.30 |
| 25 | 19 | Bob Evans Farms | April | 10.45 | 14.86 |
| 26 | 28 | Luby's Cafeteria | Aug. | 9.73 | 9.71 |
| 27 | 61 | Red Lobster | May | 9.70 | 2.55 |
| 28 | 43 | Dunkin' Donuts | Oct. | 9.13 | 5.69 |
| 29 | 30 | Roy Rogers | Dec. | 8.91 | 8.99 |
| 30 | 71 | Carl's Jr. | Jan. | 8.80 | 1.61 |
| 31 | 63 | Perkins | Dec. | 8.50 | 2.10 |
| 32 | 18 | Hyatt Hotels | Jan. | 8.14 | 16.22 |
| 33 | 38 | Taco Bell | Dec. | 7.02 | 6.75 |
| 34 | 33 | Sizzler Steak Seafood & Salad | April | 6.98 | 7.31 |
| 35 | 35 | Hardee's | Dec. | 6.98 | 6.80 |
| 36 | 47 | Bakers Square | Oct. | 6.90 | 5.07 |
| 37 | 36 | Burger King | Sept. | 6.79 | 6.79 |
| 38 | 32 | Jack in the Box | Oct. | 6.73 | 7.69 |
| 39 | 65 | Bonanza Family Restaurants | Dec. | 6.54 | 2.00 |
| 40 | 59 | White Castle | Dec. | 6.38 | 2.62 |
| 41 | 37 | Ogden Allied Leisure Services | Dec. | 6.35 | 6.78 |
| 42 | 54 | Houlihan's | Dec. | 6.25 | 3.23 |
| 43 | 39 | Chick-Fil-A | Dec. | 6.22 | 6.34 |
| 44 | 42 | Pizza Hut | Jan. | 6.01 | 5.80 |
| 45 | 29 | Westin Hotels & Resorts | Dec. | 5.88 | 9.68 |
| 46 | 78 | Harry M. Stevens | Dec. | 5.6 | 0.00 |
| 47 | 91 | Sheraton Hotels | Dec. | 5.01 | – 3.97 |
| 48 | 87 | Wendy's | Jan. | 5.00 | – 1.70 |
| 49 | 49 | McDonald's | Dec. | 4.67 | 4.49 |
| 50 | 79 | International House of Pancakes | Dec. | 4.59 | 0.00 |
| 51 | 100 | 7-Eleven | Dec. | 4.52 | –13.84 |
| 52 | 50 | Morrison's Family Dining | May | 4.29 | 4.49 |
| 53 | 89 | Quincy's Family Steakhouse | Dec. | 4.27 | – 1.86 |
| 54 | 25 | Marie Callender's | Dec. | 4.03 | 10.37 |
| 55 | 94 | Baskin Robbins | Dec. | 4.00 | – 4.87 |
| 56 | 53 | Long John Silver's | June | 3.81 | 3.45 |
| 57 | 68 | Round Table Pizza | June | 3.77 | 1.92 |
| 58 | 52 | Bennigan's | May | 3.74 | 3.88 |
| 59 | 46 | Ponderosa Steak Houses | Feb. | 3.60 | 5.14 |
| 60 | 81 | Chi-Chi's | Oct. | 3.57 | – 0.51 |
| 61 | 56 | Dairy Queen | Nov. | 3.16 | 3.03 |
| 62 | 48 | Dobbs International/Dobbs Houses | Dec. | 3.03 | 5.04 |
| 63 | 27 | Sportservice | Dec. | 2.99 | 9.84 |
| 64 | 22 | Ground Round | Sept. | 2.83 | 11.58 |
| 65 | 55 | Marriott Food Services Management | Dec. | 2.45 | 3.22 |
| 66 | 62 | Captain D's Seafood | Oct. | 2.38 | 2.44 |
| 67 | 20 | Domino's | May | 2.35 | 14.35 |
| 68 | 95 | El Torito | Dec. | 2.25 | – 6.81 |
| 69 | 82 | Hilton Hotels | Dec. | 2.21 | – 0.73 |
| 70 | 44 | Whataburger | Sept. | 2.13 | 5.62 |
| 71 | 60 | Sonic Drive-In | Aug. | 2.04 | 2.62 |
| 72 | 64 | Marriott In-Flite/Host | Dec. | 2.02 | 2.06 |
| 73 | 69 | Kentucky Fried Chicken | Dec. | 2.00 | 1.77 |
| 74 | 72 | Canteen | Dec. | 2.00 | 1.47 |
| 75 | 66 | Furr's/Bishop's Cafeterias | Dec. | 1.91 | 1.95 |
| 76 | 67 | Carvel | Dec. | 1.90 | 1.93 |
| 77 | 8 | Seiler Corp. | Aug. | 1.89 | 32.50 |
| 78 | 73 | Ramada Inn | Dec. | 1.20 | 1.42 |
| 79 | 77 | Stuart Anderson's Black Angus | Dec. | 1.18 | 0.00 |
| 80 | 80 | Friendly | Dec. | 0.95 | – 0.24 |
| 81 | 75 | Wyatt Cafeterias | Dec. | 0.83 | 0.84 |
| 82 | 93 | Krystal | Dec. | 0.43 | – 4.53 |
| 83 | 21 | Concession Air | Dec. | 0.00 | 12.50 |
| 84 | 97 | Waffle House | June | 0.00 | – 7.69 |
| 85 | 57 | Sky Chefs | Dec. | 0.00 | 2.94 |
| 86 | 85 | Chuck E. Cheese/Pizza Time Theatre | Dec. | 0.00 | – 1.53 |
| 87 | 84 | Del Taco | Dec. | 0.00 | – 1.33 |
| 88 | 34 | Big Boy | Dec. | 0.00 | 7.29 |
| 89 | 99 | Howard Johnson | April | 0.00 | – 9.80 |
| 90 | 17 | Circle K | April | – 0.27 | 16.25 |
| 91 | 88 | Golden Corral Family Steakhouse | Dec. | – 0.79 | – 1.75 |
| 92 | 98 | Steak and Ale | May | – 1.85 | – 8.99 |
| 93 | 76 | Rax | July | – 2.11 | 0.19 |
| 94 | 96 | Village Inn | Oct. | – 2.73 | – 7.25 |
| 95 | 58 | Holiday Inn | Dec. | – 3.08 | 2.69 |
| 96 | 14 | Quality Inns | May | – 3.14 | 20.13 |
| 97 | 90 | Western Sizzlin Restaurants | Dec. | – 5.01 | – 2.53 |
| 98 | 92 | Godfather's Pizza | May | – 9.83 | – 4.13 |
| 99 | 74 | Woolworth | Jan. | –23.94 | 1.40 |
| 100 | 83 | Church's Fried Chicken | Dec. | –30.59 | – 0.94 |

Source: NRN Research

# FOCUS | TOP 100

## TOP 100 CHAINS RANKED BY SYSTEMWIDE SALES GROWTH

(year-to-year percentage change)

| Rank 1989 | Rank 1988 | Chain | Percent Change '89 vs. '88 | Percent Change '88 vs. '87 |
|---|---|---|---|---|
| 1 | 1 | Olive Garden | 75.44% | 128.00% |
| 2 | 2 | TCBY | 42.86 | 75.00 |
| 3 | 3 | Subway Sandwiches & Salads | 38.13 | 69.42 |
| 4 | 12 | Little Caesars Pizza | 32.16 | 25.24 |
| 5 | 6 | Sbarro the Italian Eatery | 29.53 | 32.76 |
| 6 | 8 | Tony Roma's | 28.12 | 30.17 |
| 7 | 7 | Chili's Grill & Bar | 27.31 | 32.65 |
| 8 | 5 | El Pollo Loco | 27.17 | 50.43 |
| 9 | 4 | Morrison Custom Management | 25.89 | 60.11 |
| 10 | 10 | Ryan's Family Steak Houses | 25.00 | 27.57 |
| 11 | 33 | Disney Theme Parks | 24.02 | 11.48 |
| 12 | 73 | Popeye's Famous Fried Chicken | 23.69 | 3.70 |
| 13 | 9 | Radisson Hotels | 22.40 | 27.80 |
| 14 | 24 | Carl's Jr. | 20.36 | 15.74 |
| 15 | 47 | Perkins | 20.00 | 9.11 |
| 16 | 22 | Arby's | 18.18 | 17.65 |
| 17 | 51 | Piccadilly Cafeterias | 16.79 | 7.86 |
| 18 | 28 | Chick-Fil-A | 16.52 | 13.86 |
| 19 | 18 | Ground Round | 15.83 | 19.91 |
| 20 | 35 | Dunkin' Donuts | 15.27 | 11.34 |
| 21 | 34 | Marie Callender's | 15.22 | 11.43 |
| 22 | 74 | Taco Bell | 15.00 | 3.69 |
| 23 | 36 | Sonic Drive-In | 14.34 | 11.33 |
| 24 | 54 | Red Lobster | 14.29 | 7.47 |
| 25 | 23 | Bob Evans Farms | 13.23 | 17.18 |
| 26 | 17 | Domino's | 13.04 | 21.05 |
| 27 | 16 | Bakers Square | 12.99 | 21.57 |
| 28 | 20 | Sizzler Steak Seafood & Salad | 12.96 | 18.36 |
| 29 | 21 | Jack in the Box | 12.90 | 18.32 |
| 30 | 45 | Luby's Cafeteria | 12.07 | 9.19 |
| 31 | 27 | Marriott Hotels & Resorts | 12.05 | 14.75 |
| 32 | 91 | International House of Pancakes | 11.57 | – 2.08 |
| 33 | 30 | Dairy Queen | 11.24 | 12.12 |
| 34 | 11 | Pizza Hut | 10.71 | 27.27 |
| 35 | 44 | Houlihan's | 10.58 | 9.31 |
| 36 | 32 | Marriott Food Services Management | 10.38 | 11.74 |
| 37 | 48 | Hyatt Hotels | 10.28 | 8.75 |
| 38 | 70 | Morrison's Family Dining | 9.97 | 4.68 |
| 39 | 68 | Daka | 9.95 | 4.95 |
| 40 | 25 | Marriott Travel Plazas | 9.89 | 15.68 |
| 41 | 19 | Whataburger | 9.68 | 19.23 |
| 42 | 40 | Circle K | 9.20 | 10.65 |
| 43 | 76 | Dobbs International/Dobbs Houses | 9.07 | 3.12 |
| 44 | 61 | Sky Chefs | 8.70 | 5.79 |
| 45 | 13 | Bonanza Family Restaurants | 8.68 | 24.45 |
| 46 | 52 | McDonald's | 8.61 | 7.56 |
| 47 | 41 | Concession Air | 8.50 | 10.43 |
| 48 | 38 | Sportservice | 8.29 | 10.92 |
| 49 | 50 | Hardee's | 8.19 | 8.08 |
| 50 | 26 | Ogden Allied Leisure Services | 7.88 | 14.76 |
| 51 | 43 | Roy Rogers | 7.83 | 9.52 |
| 52 | 37 | Shoney's | 7.69 | 11.13 |
| 53 | 42 | ARA Services (ARA SERV) | 7.61 | 10.13 |
| 54 | 31 | Harry M. Stevens | 7.58 | 11.98 |
| 55 | 15 | Seiler Corp. | 7.11 | 21.62 |
| 56 | 66 | T.G.I. Friday's | 7.05 | 5.19 |
| 57 | 46 | Chuck E. Cheese/Pizza Time Theatre | 6.55 | 9.12 |
| 58 | 85 | Stuart Anderson's Black Angus | 6.31 | 0.00 |
| 59 | 62 | Furr's/Bishop's Cafeterias | 6.27 | 5.78 |
| 60 | 89 | Sheraton Hotels | 6.05 | – 1.60 |
| 61 | 86 | Round Table Pizza | 6.00 | 0.00 |
| 62 | 97 | Denny's | 5.95 | – 8.09 |
| 63 | 84 | White Castle | 5.91 | 0.04 |
| 64 | 65 | Westin Hotels & Resorts | 5.88 | 5.19 |
| 65 | 63 | Burger King | 5.58 | 5.45 |
| 66 | 81 | Wendy's | 5.15 | 0.74 |
| 67 | 95 | 7-Eleven | 4.99 | – 4.91 |
| 68 | 75 | Ramada Inn | 4.83 | 3.66 |
| 69 | 60 | Captain D's Seafood | 4.79 | 6.13 |
| 70 | 88 | Friendly | 4.70 | – 1.55 |
| 71 | 39 | Waffle House | 4.57 | 10.88 |
| 72 | 56 | Baskin Robbins | 4.50 | 6.93 |
| 73 | 58 | Pizza Inn | 4.24 | 6.45 |
| 74 | 78 | Long John Silver's | 4.24 | 2.23 |
| 75 | 72 | Carvel | 3.94 | 3.95 |
| 76 | 94 | El Torito | 3.63 | – 3.98 |
| 77 | 29 | Quincy's Family Steakhouse | 3.55 | 13.27 |
| 78 | 55 | Kentucky Fried Chicken | 3.45 | 7.41 |
| 79 | 49 | Canteen | 3.38 | 8.27 |
| 80 | 93 | Krystal | 3.37 | – 3.26 |
| 81 | 82 | Hilton Hotels | 2.88 | 0.53 |
| 82 | 87 | Wyatt Cafeterias | 2.74 | – 1.52 |
| 83 | 71 | Western Sizzlin Restaurants | 2.56 | 4.57 |
| 84 | 14 | Quality Inns | 2.43 | 22.36 |
| 85 | 59 | Golden Corral Family Steakhouse | 2.02 | 6.25 |
| 86 | 57 | Ponderosa Steak Houses | 2.01 | 6.91 |
| 87 | 100 | Howard Johnson | 1.10 | – 27.20 |
| 88 | 83 | Big Boy | 0.97 | 0.29 |
| 89 | 80 | Bennigan's | 0.81 | 1.27 |
| 90 | 79 | Service America | 0.58 | 1.77 |
| 91 | 92 | Del Taco | 0.33 | – 2.76 |
| 92 | 64 | Village Inn | 0.13 | 5.22 |
| 93 | 67 | Chi-Chi's | – 2.09 | 5.12 |
| 94 | 90 | Holiday Inn | – 2.49 | – 1.97 |
| 95 | 99 | Steak and Ale | – 2.99 | – 13.63 |
| 96 | 96 | Godfather's Pizza | – 3.67 | – 6.13 |
| 97 | 53 | Marriott In-Flite/Host | – 4.72 | 7.51 |
| 98 | 77 | Rax | – 10.03 | 2.37 |
| 99 | 98 | Woolworth | – 23.50 | – 8.24 |
| 100 | 69 | Church's Fried Chicken | – 35.67 | 4.76 |

Source: NRN Research

# MCD FACES CHALLENGE

*(Continued from page 1)*

estimating their potential," Reinemund says. "They're strong marketers, and they have great distribution. But we're ready to give them a fight with everything we've got."

In any instance Pizza Hut still has light-years to travel before it can even draw within firing distance of Big Mac. Even if the pie maker merged tomorrow with Burger King and Hardee's — the Top 100's second- and fourth-place chains, respectively — to form a single chain, that new system's 1989 sales would still fall short of McDonald's tally.

The burger giant's sales are expected to top $12.36 billion this year, eclipsing the year-ago mark by $980 million. That projected increase is higher than the systemwide-sales totals of 87 chains in the Top 100.

What's more, Pizza Hut faces a still-formidable opponent in Burger King. Despite a humbling few years, the Home of the Whopper has retained the No. 2 chain rating, with domestic sales projected to reach $5.11 billion for the fiscal year ending in September. That 5.6-percent growth rate represents a slight improvement over the 5.5-percent gait clocked for the prior fiscal period.

The 1989 Top 100 settles a longstanding debate about which hamburger chain reigns as the nation's third largest. In recent years, Hardee's has trawled for media attention with claims that it had wrested the title of No. 3 from Wendy's, the undisputed third-place finisher during the mid-1980s. Wendy's has either ignored the challenge or countered with assertions that Hardee's numbers are inflated by the inclusion of distribution revenues.

NRN's figures leave no doubt that Hardee's has left Wendy's in the dust. The regional fast feeder's 1989 sales are expected to hit $3.04 billion, compared with Wendy's projected $2.86 billion. On the industrywide standings, those numbers place Hardee's fourth and Wendy's sixth.

In addition, Hardee's outscores Wendy's in per-unit sales ($964,000 to $797,000).

Wendy's surpassed its regional rival only in number of units (3,697 to 3,327).

Ironically, Pizza Hut's rise on the systemwide-sales chart came at the expense of Pepsico stable mate Kentucky Fried Chicken, which dropped two places, to No. 5. Nevertheless, with domestic systemwide sales of $3 billion, KFC can continue to crow about its unchallenged dominance of the chicken segment.

The sales gains projected for KFC, Pizza Hut, and their Mexican sister, Taco Bell, are sufficient to catapult Pepsico into the No. 1 slot on NRN's ranking of U.S. companies by domestic food-service revenues. Pepsico is expected to leapfrog over Marriott Corp., with a projected food-service intake of $5.50 billion for 1989.

Marriott is forecasted to fall just $150 million short of that mark, with projected food-service revenues of $5.35 billion.

NRN's editors did a double take when the statistics placed McDonald's in the No. 3 slot in the ranking of food-service companies. However, with many U.S. feeders looking overseas for the bulk of their growth, NRN adopted more stringent criteria this year to extrapolate international sales from company revenue totals. The methodology was also employed to update Top 100 companies' 1987 and '86 revenues.

*Pizza Hut still has light-years to travel before it can even draw within firing distance of Big Mac.*

The effort pushed McDonald's off the top of the list for the first time since 1973. Big Mac is projected to rake in $4.02 billion in domestic revenues this year to outstrip the No. 4 company, TW Services, by $270 million.

Rounding out the Big Five companies is General Mills, with domestic revenues of $1.77 billion. Approximately $300 million of that tally was garnered by the company's new Olive Garden Italian dinner-house chain, which broke into the Top 100 Chains ranking this year at number 64.

Although a newcomer to the standings, Olive Garden nevertheless secured First Place on the Systemwide Sales Growth list, which ranks chains by year-to-year increases in chainwide sales. It also topped the Fastest Growing Chains chart, which measures year-to-year increases in number of units.

## TOP 100 CHAINS SHRINKING IN SIZE

(year-to-year change, number of units)

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Percent Change '89 vs.'88 | Percent Change '88 vs.'87 |
|---|---|---|---|---|---|
| 90 | 17 | Circle K | April | – 0.27 | 16.25 |
| 91 | 88 | Golden Corral Family Steakhouse | Dec. | – 0.79 | – 1.75 |
| 92 | 98 | Steak and Ale | May | – 1.85 | – 8.99 |
| 93 | 76 | Rax | July | – 2.11 | 0.19 |
| 94 | 96 | Village Inn | Oct. | – 2.73 | – 7.25 |
| 95 | 58 | Holiday Inn | Dec. | – 3.08 | 2.69 |
| 96 | 14 | Quality Inns | May | – 3.14 | 20.13 |
| 97 | 90 | Western Sizzlin Restaurants | Dec. | – 5.01 | – 2.53 |
| 98 | 92 | Godfather's Pizza | May | – 9.83 | – 4.13 |
| 99 | 74 | Woolworth | Jan. | – 23.94 | 1.40 |
| 100 | 83 | Church's Fried Chicken | Dec. | – 30.59 | – 0.94 |

Source: NRN Research

# FOCUS | TOP 100

## MARKET SHARES FOR TOP 100 FOOD-SERVICE COMPANIES

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 2 | PepsiCo Inc. | Dec. | 10.52% | 10.16% | 9.87% |
| 2 | 1 | Marriott Corp. | Dec. | 10.23 | 10.19 | 10.43 |
| 3 | 3 | McDonald's Corp. | Dec. | 7.69 | 7.79 | 8.11 |
| 4 | 4 | TW Services Inc. | Dec. | 7.17 | 7.36 | 5.88 |
| 5 | 5 | General Mills | May. | 3.38 | 2.99 | 2.83 |
| 6 | 6 | ARA Services Inc. | Sept. | 2.59 | 2.64 | 2.70 |
| 7 | 11 | Domino's Pizza Inc. | May | 2.22 | 2.07 | 2.08 |
| 8 | 8 | Wendy's International Inc. | Jan. | 2.14 | 2.22 | 2.50 |
| 9 | 12 | Imasco Ltd. | Dec. | 2.10 | 1.95 | 2.12 |
| 10 | 9 | Servam Inc. | March | 1.99 | 2.16 | 2.40 |
| 11 | 10 | Foodmaker Inc. | Oct. | 1.98 | 2.08 | 1.54 |
| 12 | 7 | Restaurant Enterprises Group | Dec. | 1.85 | 2.50 | 2.85 |
| 13 | 17 | Morrison Inc. | May | 1.59 | 1.49 | 1.29 |
| 14 | 13 | Greyhound Corp. | Dec. | 1.52 | 1.60 | 1.76 |
| 15 | 14 | Grand Metropolitan PLC | Sept. | 1.49 | 1.56 | 1.89 |
| 16 | 16 | Tennessee Restaurant Corp. | Dec. | 1.48 | 1.49 | 0.33 |
| 17 | 15 | S&A Restaurant Corp. | Oct. | 1.32 | 1.50 | 1.74 |
| 18 | 18 | Jerrico Inc. | June | 1.22 | 1.26 | 1.34 |
| 19 | 21 | Carlson Cos. | Dec. | 1.07 | 1.07 | 1.15 |
| 20 | 20 | American Restaurant Group | Dec. | 1.07 | 1.11 | 1.22 |
| 21 | 19 | Collins Foods International Inc. | April | 1.04 | 1.19 | 1.23 |
| 22 | 24 | Carl Karcher Enterprises Inc. | Jan. | 1.02 | 0.93 | 0.87 |
| 23 | 22 | Southland Corp. | Dec. | 1.00 | 1.04 | 1.43 |
| 24 | 27 | Disney Corp. | Sept. | 0.97 | 0.85 | 0.86 |
| 25 | 23 | Investors Management Corp. | Dec. | 0.92 | 0.98 | 1.05 |
| 26 | 26 | TGI Friday's Inc. | Jan. | 0.84 | 0.86 | 0.93 |
| 27 | 29 | Ogden Corp. | Dec. | 0.79 | 0.81 | 0.82 |
| 28 | 25 | Metromedia Inc. | Feb. | 0.78 | 0.88 | 0.98 |
| 29 | 33 | Delaware North Cos. | Dec. | 0.77 | 0.68 | 0.79 |
| 30 | 28 | Elias Bros. | Dec. | 0.76 | 0.84 | 0.77 |
| 31 | 31 | Onex Corp. | Dec. | 0.73 | 0.74 | 0.79 |
| 32 | 30 | Daka International | June | 0.73 | 0.75 | 0.47 |
| 33 | 32 | Vicorp Restaurants Inc. | Oct. | 0.69 | 0.70 | 0.74 |
| 34 | 41 | Chili's Inc. | June | 0.67 | 0.57 | 0.46 |
| 35 | 34 | Whataburger Inc. | Sept. | 0.65 | 0.65 | 0.61 |
| 36 | 36 | Sizzler Restaurants Int'l Inc. | April | 0.60 | 0.61 | 0.57 |
| 37 | 39 | Hyatt Hotels Corp. | Jan. | 0.59 | 0.59 | 0.61 |
| 38 | 90 | Biscuit Investments, Inc. | Oct. | 0.59 | 0.17 | 0.16 |
| 39 | 37 | Boddie-Noell Enterprises Inc. | Sept. | 0.59 | 0.61 | 0.63 |
| 40 | 35 | Aoki Corp. | Dec. | 0.59 | 0.81 | 1.11 |
| 41 | 40 | ITT Corp. | Dec. | 0.58 | 0.59 | 0.66 |
| 42 | 46 | Little Caesars Enterpises, Inc. | Dec. | 0.58 | 0.52 | 0.42 |
| 43 | 44 | Hanson Trust PLC | Sept. | 0.57 | 0.54 | 0.51 |
| 44 | 38 | White Castle System Inc. | Dec. | 0.57 | 0.59 | 0.67 |
| 45 | 43 | Bob Evans Farms Inc. | April | 0.56 | 0.54 | 0.52 |
| 46 | 42 | Furr's/Bishop's Cafeterias | Dec. | 0.55 | 0.57 | 0.60 |
| 47 | 45 | Luby's Cafeteria | Aug. | 0.54 | 0.53 | 0.55 |
| 48 | 48 | Piccadilly Cafeterias Inc. | June | 0.53 | 0.49 | 0.51 |
| 49 | 49 | Chick-fil-A, Inc. | Dec. | 0.52 | 0.49 | 0.48 |
| 50 | 47 | Nestle S.A. | Dec. | 0.47 | 0.50 | 0.53 |
| 51 | 51 | Sodexho Corp. | Aug. | 0.46 | 0.47 | 0.44 |
| 52 | 73 | Riese Organization | Dec. | 0.46 | 0.30 | 0.30 |
| 53 | 50 | TPI Enterprises | Dec. | 0.46 | 0.47 | 0.50 |
| 54 | 56 | International Dairy Queen Inc. | Nov. | 0.46 | 0.43 | 0.42 |
| 55 | 53 | Whataburger Inc. | Sept. | 0.46 | 0.45 | 0.43 |
| 56 | 59 | Ryan's Family Steak Houses Inc. | Dec. | 0.46 | 0.40 | 0.36 |
| 57 | 54 | Harry M. Stevens Inc. | Dec. | 0.44 | 0.45 | 0.45 |
| 58 | 52 | Paragon Restaurant Group | Oct. | 0.43 | 0.45 | 0.40 |
| 59 | 55 | Restaurant Associates Industries Inc. | Dec. | 0.41 | 0.43 | 0.46 |
| 60 | 57 | Specialty Restaurants Corp. | July | 0.41 | 0.42 | 0.43 |
| 61 | 60 | Circle K. Corp. | April | 0.39 | 0.39 | 0.40 |
| 62 | 61 | Hilton Hotels Corp. | Dec. | 0.38 | 0.39 | 0.41 |
| 63 | 63 | Gilbert-Robinson Inc. | Dec. | 0.38 | 0.38 | 0.39 |
| 64 | 65 | Horn & Hardart Co. | Dec. | 0.36 | 0.37 | 0.25 |
| 65 | 64 | Krystal Co. | Dec. | 0.35 | 0.37 | 0.43 |
| 66 | 66 | Wyatt Cafeterias Inc. | Dec. | 0.34 | 0.37 | 0.42 |
| 67 | 62 | Holiday Corp. | Dec. | 0.34 | 0.38 | 0.46 |
| 68 | 70 | DWG Corp. | Dec. | 0.34 | 0.32 | 0.32 |
| 69 | 75 | Abela Enterprises Inc. | Dec. | 0.33 | 0.29 | 0.29 |
| 70 | 71 | Show Biz Pizza Time Inc. | Dec. | 0.32 | 0.32 | 0.30 |
| 71 | 67 | F.W. Woolworth Inc. | Jan. | 0.31 | 0.34 | 0.40 |
| 72 | 72 | Unigate Restaurants Inc. | Mar. | 0.31 | 0.31 | 0.33 |
| 73 | 74 | Club Corp. International | Dec. | 0.30 | 0.29 | 0.30 |
| 74 | 77 | Carrols Corp. | Dec. | 0.30 | 0.28 | 0.31 |
| 75 | 83 | Sbarro Inc. | Dec. | 0.30 | 0.24 | 0.20 |
| 76 | 69 | DeNova Corp. | Dec. | 0.29 | 0.32 | 0.37 |
| 77 | 79 | RTM Inc. | May | 0.29 | 0.27 | 0.25 |
| 78 | 68 | Winchell's Donut Houses L.P. | Dec. | 0.28 | 0.33 | 0.41 |
| 79 | 82 | National Pizza Co. | Mar | 0.27 | 0.25 | 0.23 |
| 80 | 80 | Wilshire Restaurant Group | Dec. | 0.27 | 0.26 | 0.28 |
| 81 | 76 | Frisch's Restaurants Inc. | May | 0.27 | 0.29 | 0.31 |
| 82 | 85 | Cracker Barrel Old Country Store Inc. | July | 0.27 | 0.22 | 0.20 |
| 83 | 100 | Pantera's Corp. | June | 0.27 | 0.05 | 0.08 |
| 84 | 78 | Papa Gino's of America | Sept. | 0.26 | 0.27 | 0.27 |
| 85 | 84 | Dunkin' Donuts | Oct. | 0.25 | 0.24 | 0.25 |
| 86 | 87 | TCBY | Nov. | 0.23 | 0.21 | 0.16 |
| 87 | 94 | Buffets Inc. | Dec. | 0.22 | 0.15 | 0.11 |
| 88 | 81 | Rax Restaurants Inc. | July | 0.21 | 0.26 | 0.29 |
| 89 | 86 | Consolidated Products Inc. | Sept. | 0.20 | 0.21 | 0.23 |
| 90 | 88 | Waffle House Inc. | June | 0.18 | 0.19 | 0.20 |
| 91 | 89 | Sybra Inc. | Dec. | 0.18 | 0.17 | 0.16 |
| 92 | 91 | Godfather's Pizza Inc. | May | 0.16 | 0.17 | 0.22 |
| 93 | 92 | Skipper's Inc. | Dec. | 0.16 | 0.17 | 0.19 |
| 94 | 58 | Ramada Inc. | Dec. | 0.16 | 0.41 | 0.43 |
| 95 | 93 | IHOP Corp. | Dec. | 0.16 | 0.15 | 0.18 |
| 96 | 95 | National Convenience Stores | June | 0.14 | 0.14 | 0.12 |
| 97 | 97 | WSMP, Inc. | Feb. | 0.11 | 0.09 | 0.08 |
| 98 | 96 | Carousel Snack Barns of MN, Inc. | May | 0.10 | 0.11 | 0.11 |
| 99 | 98 | Uno Restaurant Corporation | Sept. | 0.09 | 0.07 | 0.05 |
| 100 | 99 | Doctors Associates | Dec. | 0.07 | 0.06 | 0.05 |

Source: NRN Research

## TOP 100 COMPANIES RANKED BY REVENUE GROWTH

| Rank 1989 | Rank 1988 | Company | Fiscal Year Ends | Percent Change '88 vs.'89 | '88 vs.'87 |
|---|---|---|---|---|---|
| 1 | 99 | Pantera's Corp. | June | 460.48% | – 26.41% |
| 2 | 22 | Biscuit Investments, Inc. | Oct. | 286.63 | 21.40 |
| 3 | 38 | Riese Organization | Dec. | 69.34 | 12.50 |
| 4 | 5 | Buffets Inc. | Dec. | 58.87 | 49.59 |
| 5 | 6 | Uno Restaurant Corporation | Sept. | 41.46 | 46.30 |
| 6 | 12 | Sbarro Inc. | Dec. | 35.96 | 35.07 |
| 7 | 13 | WSMP, Inc. | Feb. | 35.31 | 30.25 |
| 8 | 17 | Cracker Barrel Old Country Store Inc. | July | 32.51 | 26.39 |
| 9 | 9 | Chili's Inc. | June | 27.74 | 39.80 |
| 10 | 11 | Doctors Associates | Dec. | 25.16 | 36.56 |
| 11 | 93 | Delaware North Cos. | Dec. | 25.08 | – 4.15 |
| 12 | 41 | Disney Corp. | Sept. | 24.02 | 11.48 |
| 13 | 7 | TCBY | Nov. | 23.98 | 42.03 |
| 14 | 29 | General Mills | May. | 23.78 | 19.17 |
| 15 | 18 | Ryan's Family Steak Houses Inc. | Dec. | 23.32 | 25.32 |
| 16 | 36 | Abela Enterprises Inc. | Dec. | 22.66 | 14.07 |
| 17 | 10 | Little Caesars Enterpises, Inc. | Dec. | 22.18 | 37.78 |
| 18 | 23 | Carl Karcher Enterprises Inc. | Jan. | 19.96 | 20.87 |
| 19 | 21 | National Pizza Co. | Mar | 18.38 | 21.40 |
| 20 | 74 | Imasco Ltd. | Dec. | 18.15 | 3.44 |
| 21 | 39 | Domino's Pizza Inc. | May | 17.27 | 12.02 |
| 22 | 35 | Chick-fil-A, Inc. | Dec. | 17.24 | 14.29 |
| 23 | 24 | RTM Inc. | May | 17.19 | 20.75 |
| 24 | 15 | Morrison Inc. | May | 16.85 | 29.69 |
| 25 | 58 | Piccadilly Cafeterias Inc. | June | 16.79 | 7.79 |
| 26 | 76 | Carrols Corp. | Dec. | 16.10 | 2.69 |
| 27 | 27 | Hanson Trust PLC | Sept. | 15.83 | 19.91 |
| 28 | 34 | International Dairy Queen Inc. | Nov. | 15.34 | 15.28 |
| 29 | 63 | Dunkin' Donuts | Oct. | 15.25 | 6.42 |
| 30 | 37 | DWG Corp. | Dec. | 14.11 | 13.01 |
| 31 | 31 | Sybra Inc. | Dec. | 13.30 | 17.34 |
| 32 | 33 | Pepsico Inc. | Dec. | 13.30 | 15.91 |
| 33 | 32 | Bob Evans Farms Inc. | April | 13.23 | 17.29 |
| 34 | 73 | Wilshire Restaurant Group | Dec. | 12.90 | 3.68 |
| 35 | 51 | Luby's Cafeteria | Aug. | 12.07 | 9.19 |
| 36 | 26 | ShowBiz Pizza Time Inc. | Dec. | 11.43 | 20.35 |
| 37 | 44 | Club Corp. International | Dec. | 11.07 | 10.24 |
| 38 | 86 | IHOP Corp. | Dec. | 10.81 | – 1.20 |
| 39 | 14 | National Convenience Stores | June | 10.77 | 30.00 |
| 40 | 30 | Whataburger Inc. | Sept. | 10.63 | 17.63 |
| 41 | 49 | Gilbert-Robinson Inc. | Dec. | 10.58 | 9.31 |
| 42 | 52 | Hyatt Hotels Corp. | Jan. | 10.28 | 8.75 |
| 43 | 48 | Marriott Corp. | Dec. | 9.97 | 9.97 |
| 44 | 69 | Carlson Cos. | Dec. | 9.85 | 5.31 |
| 45 | 28 | Whataburger Inc. | Sept. | 9.68 | 19.23 |
| 46 | 43 | Circle K. Corp. | April | 9.20 | 10.65 |
| 47 | 61 | Unigate Restaurants Inc. | Mar. | 8.84 | 6.52 |
| 48 | 67 | Onex Corp. | Dec. | 8.70 | 5.79 |
| 49 | 70 | Hilton Hotels Corp. | Dec. | 8.70 | 5.11 |
| 50 | 97 | Godfather's Pizza Inc. | May | 8.70 | – 13.43 |
| 51 | 1 | Tennessee Restaurant Corp. | Dec. | 8.70 | 416.67 |
| 52 | 3 | Horn & Hardart Co. | Dec. | 8.61 | 65.16 |
| 53 | 55 | McDonald's Corp. | Dec. | 8.06 | 8.14 |
| 54 | 81 | ITT Corp. | Dec. | 7.81 | 0.11 |
| 55 | 46 | ARA Services Inc. | Sept. | 7.61 | 10.13 |
| 56 | 85 | Skipper's Inc. | Dec. | 7.59 | – 1.00 |
| 57 | 60 | Vicorp Restaurants Inc. | Oct. | 7.59 | 7.04 |
| 58 | 40 | Harry M. Stevens Inc. | Dec. | 7.58 | 11.98 |
| 59 | 42 | Ogden Corp. | Dec. | 7.51 | 11.24 |
| 60 | 20 | Sodexho Corp. | Aug. | 7.11 | 21.62 |
| 61 | 47 | Papa Gino's of America | Sept. | 7.09 | 10.03 |
| 62 | 25 | Sizzler Restaurants Int'l Inc. | April | 7.08 | 20.66 |
| 63 | 57 | Boddie-Noell Enterprises Inc. | Sept. | 6.92 | 7.84 |
| 64 | 71 | TGI Friday's Inc. | Jan. | 6.80 | 4.83 |
| 65 | 65 | TPI Enterprises | Dec. | 6.67 | 5.88 |
| 66 | 8 | TW Services Inc. | Dec. | 6.62 | 41.13 |
| 67 | 66 | Furr's/Bishop's Cafeterias | Dec. | 6.27 | 5.82 |
| 68 | 50 | Specialty Restaurants Corp. | July | 6.00 | 9.29 |
| 69 | 82 | White Castle System Inc. | Dec. | 5.91 | 0.04 |
| 70 | 62 | Jerrico Inc. | June | 5.81 | 6.45 |
| 71 | 100 | Aoki Corp. | Dec. | 5.77 | – 38.34 |
| 72 | 83 | Wendy's International Inc. | Jan. | 5.66 | 0.00 |
| 73 | 2 | Daka International | June | 5.56 | 80.00 |
| 74 | 78 | American Restaurant Group | Dec. | 5.26 | 2.04 |
| 75 | 98 | Southland Corp. | Dec. | 5.02 | – 17.62 |
| 76 | 94 | Grand Metropolitan PLC | Sept. | 5.00 | – 7.32 |
| 77 | 64 | Restaurant Associates Industries Inc. | Dec. | 4.83 | 6.15 |
| 78 | 54 | Waffle House Inc. | June | 4.58 | 8.39 |
| 79 | 4 | Foodmaker Inc. | Oct. | 4.04 | 51.60 |
| 80 | 16 | Paragon Restaurant Group | Oct. | 3.93 | 29.10 |
| 81 | 77 | Greyhound Corp. | Dec. | 3.79 | 2.68 |
| 82 | 91 | Krystal Co. | Dec. | 3.37 | – 3.26 |
| 83 | 72 | Consolidated Products Inc. | Sept. | 3.36 | 3.91 |
| 84 | 89 | Wyatt Cafeterias Inc. | Dec. | 2.74 | – 1.79 |
| 85 | 68 | Investors Management Corp. | Dec. | 2.34 | 5.62 |
| 86 | 59 | Nestle S.A. | Dec. | 1.70 | 7.07 |
| 87 | 75 | Frisch's Restaurants Inc. | May | 1.53 | 3.31 |
| 88 | 92 | F.W. Woolworth Inc. | Jan. | 0.62 | – 3.28 |
| 89 | 79 | Servam Inc. | March | 0.58 | 1.77 |
| 90 | 19 | Elias Bros. | Dec. | 0.00 | 23.08 |
| 91 | 95 | Holiday Corp. | Dec. | – 1.10 | – 7.53 |
| 92 | 45 | Carousel Snack Barns of MN, Inc. | May | – 1.70 | 10.21 |
| 93 | 87 | DeNova Corp. | Dec. | – 2.58 | – 1.27 |
| 94 | 80 | Metromedia Inc. | Feb. | – 2.63 | 0.72 |
| 95 | 90 | S&A Restaurant Corp. | Oct. | – 3.63 | – 2.86 |
| 96 | 53 | Collins Foods International Inc. | April | – 4.38 | 8.52 |
| 97 | 96 | Winchell's Donut Houses L.P. | Dec. | – 8.52 | – 7.74 |
| 98 | 84 | Rax Restaurants Inc. | July | – 9.91 | – 0.73 |
| 99 | 88 | Restaurant Enterprises Group | Dec. | – 19.03 | – 1.40 |
| 100 | 56 | Ramada Inc. | Dec. | – 57.69 | 7.97 |

Source: NRN Research

# FOCUS | TOP 100

## DIRECTORY OF TOP 100 CHAINS

| Chain | Parent Company | Systemwide Sales Rank 1989 | Systemwide Sales Rank 1988 | Sales Per Unit Rank 1989 | Sales Per Unit Rank 1988 | Number of Units Rank 1989 | Number of Units Rank 1988 |
|---|---|---|---|---|---|---|---|
| 7-Eleven | Southland Corp. | 30 | 30 | 47 | 48 | 2 | 2 |
| ARA Services (ARA SERV) | ARA Services Inc. | 12 | 12 | 79 | 75 | 15 | 15 |
| Arby's | DWG Corp. | 14 | 14 | 70 | 72 | 16 | 17 |
| Bakers Square | Vicorp Inc. | 88 | 89 | 36 | 37 | 83 | 82 |
| Baskin Robbins | Allied Lyons PLC | 36 | 36 | 100 | 100 | 14 | 13 |
| Bennigan's | S&A Restaurant Corp. | 42 | 41 | 23 | 20 | 69 | 68 |
| Big Boy | Elias Bros | 19 | 18 | 46 | 43 | 26 | 26 |
| Bob Evans Farms | Bob Evans Farms Inc. | 68 | 66 | 35 | 32 | 70 | 71 |
| Bonanza Family Restaurants | USA Cafes, L.P. | 33 | 33 | 54 | 50 | 39 | 38 |
| Burger King | Grand Metropolitan PLC | 2 | 2 | 43 | 49 | 4 | 4 |
| Carrows | TW Services Inc. | 11 | 11 | 58 | 57 | 19 | 18 |
| Captain D's Seafood | Sheney's Inc. | 50 | 50 | 67 | 68 | 41 | 41 |
| Carl's Jr. | Carl Karcher Enterprises Inc. | 40 | 45 | 51 | 51 | 51 | 51 |
| Carvel | Carvel Corp. | 81 | 79 | 96 | 96 | 30 | 31 |
| Chick-Fil-A | Chick-fil-A, Inc. | 73 | 76 | 66 | 70 | 55 | 56 |
| Chili's Grill & Bar | Chili's Inc. | 55 | 65 | 22 | 23 | 77 | 81 |
| Chi-Chi's | Foodmaker, Inc. | 45 | 42 | 18 | 21 | 73 | 73 |
| Chuck E. Cheese/Pizza Time Theatre | ShowBiz Pizza Time Inc. | 71 | 64 | 42 | 42 | 63 | 62 |
| Church's Fried Chicken | Biscuit Investments, Inc. | 51 | 35 | 94 | 92 | 28 | 21 |
| Circle K | Circle K Corp. | 92 | 91 | 76 | 78 | 8 | 8 |
| Concession Air | Delaware North Cos. | 96 | 94 | 4 | 4 | 97 | 97 |
| Dairy Queen | International Dairy Queen | 9 | 9 | 89 | 91 | 7 | 7 |
| Deka | Deka International Inc. | 90 | 88 | 81 | 79 | 57 | 58 |
| Del Taco | American Restaurant Group | 89 | 84 | 77 | 76 | 58 | 57 |
| Denny's | TW Services | 13 | 13 | 44 | 44 | 24 | 25 |
| Disney Theme Parks | Disney Corp. | 37 | 44 | 19 | 18 | 68 | 74 |
| Dobbs International/Dobbs Houses | Greyhound Corp. | 38 | 39 | 40 | 41 | 56 | 55 |
| Domino's | Domino's Pizza Inc. | 7 | 7 | 88 | 87 | 5 | 6 |
| Dunkin' Donuts | Dunkin' Donuts | 21 | 22 | 83 | 83 | 18 | 19 |
| El Pollo Loco | Denny's Inc. | 85 | 98 | 45 | 46 | 75 | 76 |
| El Torito | Restaurant Enterprises Group Inc. | 47 | 46 | 20 | 22 | 76 | 75 |
| Friendly | Tennessee Restaurant Corp. | 34 | 34 | 64 | 66 | 33 | 32 |
| Furr's/Bishop's Cafeterias L.P. | Furr's/Bishop's Cafeterias | 69 | 62 | 28 | 28 | 79 | 79 |
| Godfather's Pizza | Godfather's Pizza Inc. | 82 | 71 | 90 | 90 | 47 | 43 |
| Golden Corral Family Steakhouse | Investors Management Corp. | 41 | 40 | 56 | 56 | 50 | 48 |
| Ground Round | Hanson Trust PLC | 65 | 67 | 34 | 35 | 72 | 69 |
| Hardee's | Imasco Ltd. | 4 | 4 | 55 | 53 | 11 | 10 |
| Harry M. Stevens | Harry M. Stevens Inc. | 83 | 83 | 75 | 77 | 96 | 96 |
| Hilton Hotels | Hilton Hotels Corp. | 24 | 23 | 8 | 7 | 62 | 61 |
| Holiday Inn | Holiday Corp. | 31 | 29 | 86 | 88 | 23 | 20 |
| Hooters | Gilbert-Robinson Inc. | 95 | 95 | 11 | 11 | 95 | 95 |
| Howard Johnson | Franchise Associates | 96 | 93 | 60 | 59 | 67 | 67 |
| Hyatt Hotels | Hyatt Hotels Corp. | 60 | 60 | 6 | 6 | 92 | 92 |
| International House of Pancakes | IHOP Corp. | 58 | 56 | 63 | 67 | 53 | 53 |
| Jack in the Box | Foodmaker Inc. | 23 | 25 | 49 | 55 | 25 | 28 |
| Kentucky Fried Chicken | Pepsico Inc. | 5 | 3 | 74 | 73 | 6 | 5 |
| Krystal | The Krystal Co. | 97 | 96 | 62 | 61 | 66 | 66 |
| Little Caesars Pizza Inc. | Little Caesar Enterprises, | 16 | 21 | 91 | 89 | 13 | 14 |
| Long John Silver's | Jerrico Inc. | 28 | 26 | 80 | 80 | 22 | 22 |
| Luby's Cafeteria | Luby's Cafeterias Inc. | 70 | 68 | 15 | 15 | 86 | 86 |
| Marie Callender's | Wilshire Restaurant Group | 74 | 77 | 27 | 29 | 82 | 80 |
| Marriott Food Services Management | Marriott Corp. | 8 | 8 | 43 | 45 | 17 | 16 |
| Marriott Hotels & Resorts | Marriott Corp. | 17 | 19 | 21 | 16 | 46 | 52 |
| Marriott In-Flite/Host | Marriott Corp. | 22 | 15 | 3 | 3 | 74 | 72 |
| Marriott Travel Plazas | Marriott Corp. | 62 | 61 | 14 | 12 | 89 | 89 |
| McDonald's | McDonald's Corp. | 1 | 1 | 30 | 31 | 1 | 1 |
| Morrison Custom Management | Morrison Inc. | 54 | 63 | 95 | 95 | 32 | 33 |
| Morrison's Family Dining | Morrison Inc. | 59 | 57 | 26 | 26 | 78 | 77 |
| Ogden Allied Leisure Services | Ogden Corp. | 77 | 72 | 5 | 5 | 96 | 96 |
| Olive Garden | General Mills Inc. | 64 | 99 | 13 | 14 | 85 | 91 |
| Perkins | Tennessee Restaurant Corp. | 43 | 48 | 37 | 39 | 59 | 59 |
| Piccadilly Cafeterias | Piccadilly Cafeterias, Inc. | 72 | 74 | 25 | 24 | 87 | 84 |
| Pizza Hut | Pepsico | 3 | 5 | 76 | 81 | 3 | 3 |
| Pizza Inn | Pantera's Corp. | 52 | 53 | 85 | 85 | 34 | 36 |
| Ponderosa Steak Houses | Ponderosa Inc. | 29 | 28 | 53 | 47 | 35 | 35 |
| Popeye's Famous Fried Chicken & Biscuits | Biscuit Investments Inc. | 35 | 38 | 71 | 64 | 27 | 34 |
| Quality Inns | Manor Care Inc. | 44 | 43 | 84 | 84 | 31 | 30 |
| Quincy's Family Steakhouse | TW Services Inc. | 78 | 69 | 41 | 40 | 71 | 70 |
| Radisson Hotels | Carlson Cos. | 76 | 82 | 29 | 27 | 81 | 85 |
| Ramada Inn | Ramada Inc. | 57 | 54 | 69 | 69 | 49 | 49 |
| Rax | Rax Restaurants Inc. | 56 | 49 | 72 | 65 | 48 | 47 |
| Red Lobster | General Mills | 15 | 16 | 12 | 13 | 54 | 54 |
| Round Table Pizza | Round Table Pizza | 75 | 70 | 82 | 82 | 43 | 45 |
| Roy Rogers | Marriott Corp. | 32 | 32 | 50 | 52 | 38 | 39 |
| Ryan's Family Steak Houses | Ryan's Family Steak Houses Inc. | 67 | 73 | 24 | 25 | 86 | 86 |
| Sbarro the Italian Eatery | Sbarro Inc. | 93 | 100 | 68 | 71 | 61 | 64 |
| Sodexho Corp. | Sodexho Corp. | 80 | 80 | 87 | 82 | 45 | 46 |
| Service America | Servam Inc. | 20 | 17 | 73 | 62 | 20 | 23 |
| Sheraton Hotels | ITT Corp. | 18 | 20 | 10 | 9 | 60 | 60 |
| Sheney's | Sheney's Inc. | 25 | 24 | 32 | 33 | 37 | 37 |
| Sizzler Steak Seafood & Salad | Sizzler Restaurants Int'l Inc. | 26 | 27 | 33 | 34 | 40 | 42 |
| Sky Chefs | Onex Corp. | 49 | 51 | 1 | 1 | 100 | 99 |
| Sonic Drive-In | Sonic Industries Inc. | 48 | 52 | 92 | 93 | 29 | 27 |
| Sportservice | Delaware North Cos. | 91 | 87 | 9 | 10 | 94 | 94 |
| Steak and Ale | S&A Restaurant Corp. | 87 | 81 | 38 | 36 | 80 | 78 |
| Stuart Anderson's Black Angus | American Restaurant Group | 94 | 92 | 17 | 19 | 93 | 93 |
| Subway Sandwiches & Salads | Doctors Associates | 27 | 31 | 99 | 99 | 10 | 11 |
| Taco Bell | Pepsico Inc. | 10 | 10 | 65 | 74 | 12 | 12 |
| TCBY | TCBY Enterprises Inc. | 63 | 85 | 98 | 98 | 21 | 24 |
| Tony Roma's | Roma Corp. | 79 | 90 | 16 | 17 | 91 | 90 |
| T.G.I. Friday's | TGI Friday's Inc. | 46 | 47 | 7 | 8 | 84 | 83 |
| Village Inn | Vicorp Inc. | 84 | 78 | 52 | 54 | 65 | 63 |
| Waffle House | Waffle House Inc. | 86 | 86 | 93 | 94 | 42 | 40 |
| Wendy's | Wendy's International Inc. | 6 | 6 | 61 | 63 | 9 | 9 |
| Western Sizzlin Restaurants | Western Sizzlin, Inc. | 39 | 37 | 57 | 60 | 44 | 44 |
| Westin Hotels & Resorts | Aoki Corp. | 61 | 58 | 2 | 2 | 99 | 100 |
| Whataburger | Whataburger Inc. | 53 | 55 | 59 | 58 | 52 | 50 |
| White Castle | White Castle System Inc | 66 | 59 | 39 | 38 | 64 | 65 |
| Woolworth | F.W. Woolworth Inc. | 100 | 75 | 97 | 97 | 36 | 29 |
| Wyatt Cafeterias | Wyatt Cafeterias Inc. | 99 | 97 | 31 | 30 | 90 | 87 |

# THE WHO, WHAT, WHEN, WHERE, WHY & HOW OF THE NRN TOP 100

*How the rankings came to be — and how readers can use the data*

Hundreds of man-hours were expended to maintain the NRN Top 100's reign as the food-service industry's most reliable sales ranking. What's more, several new procedures and criteria were adapted this year to enhance the data's usefulness.

The project began in January with an effort to identify the industry's major players. The reporters and editors of Nation's Restaurant News, using figures from recent years as a yardstick, pared down a universe of several thousand food-service chains and companies to a few hundred dominant performers.

Those operators were canvassed for several months, first by mail and then by telephone, for such detailed information as systemwide sales, the averge intake per unit, and the number of restaurants. The information was sought for fiscal 1989 and the prior two fiscal years. In the majority of cases, respondents were asked to project numbers because their fiscal 1989 was still in progress.

Companies were asked to specify their food-service revenues, which differ greatly from systemwide sales within the context of the Top 100. Revenues consist of sales from company-operated restaurants, franchise royalties, and proceeds from real-estate divestitures or other routine asset sales. Excluded were sales totals of franchised units.

Systemwide sales encompass the sales of every domestic unit or operation within a chain or multi-unit operation, such as a contract feeder. Usually, systemwide sales match company revenues only in instances where an operation does not have franchised outlets.

A heightened effort was undertaken this year to filter out such data as distribution revenues, merchandise sales, and proceeds from the sale of food products via supermarket shelves.

Similarly, extra care was taken to exclude the intake of foreign units from systemwide sales tallies.

The raw data supplied by operators were supplemented with input from financial analysts, industry studies, and reams of government filings. NRN also rifled its extensive clip files for historical data that could form a sound base for projecting figures.

**Top 100 Rankings**

**Chains:**

By systemwide sales . . . F13-F14
By number of units . . . . . F20
By sales per unit . . . . . F20
By market share . . . . . F25
By growth in unit totals . . . . F25
By growth in systemwide sales F29

**Companies:**

By fiscal revenues . . . . . F17-F18
By market share . . . . . F30
By revenue growth . . . . . F30

When NRN staffers estimated or projected a figure for a company, that concern was given an opportunity to correct the number.

The information gathered in NRN's six editorial offices was funneled into the newspaper's New York headquarters, where the statistics were reviewed again before being collated.

During July the numbers were "crunched" to generate 47 charts, with rankings based on such criteria as average unit sales, sales growth, and expansion.

The heart of the analysis is the Top 100 Chains, a list of the 100 largest food-service networks as determined by systemwide sales.

The Top 100 chains were also ranked by number of units, sales per unit, market share, year-to-year growth in systemwide sales, and year-to-year growth in number of units.

Each chain's ranking on those lists can be quickly pinpointed by looking at the Top 100 Directory (left).

Companies, as opposed to chains, were ranked by their food-service revenues for fiscal 1989. The concerns were also ranked by market share and year-to-year revenue growth.

Figures were extrapolated from the Top 100 Chains list to statistically profile the top players within several major market segments. Included for each sector are rankings based on systemwide sales, sales per unit, number of units, and market share.

Complementing the segment data are in-depth analyses of the top competitors and their strategies for boosting sales and market share.

FOCUS | TOP 100

# BURGER GIANTS SINGED BY BATTLE

*In a year of soft growth and fierce competition, operators are embracing lighter menu items, unconventional sites, and overseas expansion*

By Rajan Chaudhry

With spatulas drawn, top burger and sandwich chains are locked in a fierce struggle for the street corners of America.

"This group is doing battle with a very soft year," says George Rice, chairman of the food-service consulting firm GDR Enterprises Inc. "Through May we've had three out of four quarters with negative traffic, and I don't foresee the summer being an awful lot better.

"We're looking at very small levels of growth, customer count increases of maybe 1 to 2 percent, and many chains with declines."

Operators agree it's kill or be killed.

"The segment is increasingly competitive," notes Ted Murphy, vice president of Chattanooga, Tenn.-based Krystal. "Every industry goes through that cycle of growth and go-go, and eventually you get up to a point where the pie stops expanding and you're fighting for share."

Bloodied and reeling from intense competition, burger chain operators are striving to develop non-traditional sites, build breakfast and dinner business, improve operations with labor- and time-saving technology, exploit trends toward healthful eating and take-out, and boost unit sales with new products and better service.

And top chains — including McDonald's, Wendy's, Arby's, and White Castle — seek greener pastures overseas to recapture some of their heady growth of years past.

Operators are also bringing the full weight of their marketing arsenals to bear on consumers, bombarding them with advertising, firing bursts of short-term promotional items, and laying down a cover fire of coupon specials.

"The consumer has lots of choices, and they are increasing," Rice says.

The toll, of course, is heaviest on the smaller chains, which often don't have the market penetration and marketing firepower to create top-of-mind awareness.

With expansion growing more difficult, both Whataburger and Carl's Jr. have indicated that acquiring small chains or clusters of units is essential for their continued growth.

"Acquisition of a small chain is about the only way we could go into new markets, where we could get enough restaurants quickly enough in order to make some impact," Jim. L. Peterson, president and chief executive of Whataburger Inc., said in a recent interview.

And Carl Karcher Enterprises Inc., parent company of Carl's Jr., recently landed in court with Wendy's after buying 10 Denver-area Wendy's for conversion to Carl's Jrs.

Krystal is taking another approach to expansion with plans to open its first franchised unit — a drive-thru-only version of its concept — later this year.

The drive-thru-only units will feature a new building design and offer a limited menu comprising Krystals hamburgers, fries, drinks, and its new breakfast sandwich, the Sunriser.

With the deck stacked in favor of the big chains, Rice says he expects to see some small and not-so-small operations flip their last burgers.

"We definitely will have some chain failures in the next few years," Rice explains. "Those chain failures will be the result of some combination of three things.

"The company will not be well positioned. It will not have a good strong market penetration on a market-by market basis. Or it will be financially leveraged. Some of these leveraged buyout situations are absolute fodder for failure."

### Operators turn to non-traditional sites

While traditional freestanding units will continue to make up the lion's share of chain expansion, an effort is under way in the quick-service hamburger segment to bring restaurants closer to where people work and play.

With that in mind, operators are increasingly seeking to build units in hospitals, in schools, in office buildings, in department stores, in movie theaters, in gas stations, in airports, at railroad stations, at military bases, at ballparks, and along tollroads.

Whataburger, for example, which has one outlet at the Corpus Christi (Texas) Naval Air Station, is looking to build additional units inside government installations and colleges.

And Arby's is developing a half-dozen truck stop units with Pilot Oil as well as building units in Days Inns.

At McDonald's non-traditional sites will account for about 10 percent of total locations this year, up from 8.5 percent five years ago.

And Roy Rogers and Burger King are finding that combining concepts under one roof — as Marriott Corp. does in its travel plazas and the Riese Organization does in its New York food courts — helps offset the high costs of prime sites.

Advances in site modeling are also making it possible to exploit opportunities — such as locations in small towns along well-traveled roads — that just a few years ago would have been overlooked.

Oak Brook, Ill.-based McDonald's, for example, goes so far as to use spy-satellite photos to pinpoint potential sites.

And several chains — Burger King and White Castle among them — have found that the best way to bring the restaurant closer to the customer is to put it on wheels.

When the tanker Exxon Valdez spilled a quarter of a million barrels of crude oil into Prince William Sound, Alaska, in March, a Burger King mobile unit was on hand to feed hungry cleanup crews.

And Columbus, Ohio-based White

*(See **HAMBURGERS**, page F61)*

## HAMBURGER CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | $12,360.0 | $11,380.0 | $10,580.0 |
| 2 | 2 | Burger King | May | 5110.0 | 4840.0 | 4590.0 |
| 3 | 3 | Hardee's | Dec. | 3,040.0 | 2810.0 | 2,600.0 |
| 4 | 4 | Wendy's | Jan. | 2,860.0 | 2720.0 | 2,700.0 |
| 5 | 5 | Jack in the Box | Oct. | 875.0 | 775.0 | 655.0 |
| 6 | 6 | Roy Rogers | Dec. | 620.0 | 575.0 | 525.0 |
| 7 | 7 | Carl's Jr. | Jan. | 480.6 | 399.3 | 345.0 |
| 8 | 8 | Sonic Drive-In | Aug. | 390.0 | 341.1 | 306.4 |
| 9 | 9 | Whataburger | Sept. | 340.0 | 310.0 | 260.0 |
| 10 | 10 | White Castle | Dec. | 299.4 | 282.7 | 282.6 |
| 11 | 11 | Krystal | Dec. | 184.0 | 178.0 | 184.0 |
| | | TOTAL: | | $26,559.0 | $24,611.1 | $23,028.0 |

Source: NRN Research

## HAMBURGER CHAINS RANKED BY MARKET SHARE

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | 46.54% | 46.24% | 45.94% |
| 2 | 2 | Burger King | May | 19.24 | 19.67 | 19.93 |
| 3 | 3 | Hardee's | Dec. | 11.45 | 11.42 | 11.29 |
| 4 | 4 | Wendy's | Jan. | 10.77 | 11.05 | 11.72 |
| 5 | 5 | Jack in the Box | Oct. | 3.29 | 3.15 | 2.84 |
| 6 | 6 | Roy Rogers | Dec. | 2.33 | 2.34 | 2.28 |
| 7 | 7 | Carl's Jr. | Jan. | 1.81 | 1.62 | 1.50 |
| 8 | 8 | Sonic Drive-In | Aug. | 1.47 | 1.39 | 1.33 |
| 9 | 9 | Whataburger | Sept. | 1.28 | 1.26 | 1.13 |
| 10 | 10 | White Castle | Dec. | 1.13 | 1.15 | 1.23 |
| 11 | 11 | Krystal | Dec. | 0.69 | 0.72 | 0.80 |

Source: NRN Research

## HAMBURGER CHAINS RANKED BY NUMBER OF UNITS

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | 8,276 | 7,907 | 7,567 |
| 2 | 2 | Burger King | Sept. | 5,361 | 5,020 | 4,701 |
| 3 | 3 | Wendy's | Jan. | 3,697 | 3,521 | 3,582 |
| 4 | 4 | Hardee's | Dec. | 3,327 | 3,110 | 2,912 |
| 5 | 6 | Jack in the Box | Oct. | 1,031 | 966 | 897 |
| 6 | 5 | Sonic Drive-In | Aug. | 1,000 | 980 | 955 |
| 7 | 7 | Roy Rogers | Dec. | 660 | 606 | 556 |
| 8 | 9 | Carl's Jr. | Jan. | 482 | 443 | 436 |
| 9 | 8 | Whataburger | Sept. | 480 | 470 | 445 |
| 10 | 10 | White Castle | Dec. | 250 | 235 | 229 |
| 11 | 11 | Krystal | Dec. | 233 | 232 | 243 |
| | | TOTAL: | | 24,797 | 23,490 | 22,523 |

Source: NRN Research

## HAMBURGER CHAINS RANKED BY SALES PER UNIT

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | McDonald's | Dec. | $1,600.0 | $1,500.0 | $1,500.0 |
| 2 | 2 | White Castle | Dec. | 1,250.0 | 1,240.0 | 1,260.0 |
| 3 | 3 | Burger King | Sept. | 1,050.0 | 1,000.0 | 1,020.0 |
| 4 | 4 | Carl's Jr. | Jan. | 1,000.0 | 939.8 | 772.0 |
| 5 | 5 | Roy Rogers | Dec. | 1,000.0 | 935.0 | 900.0 |
| 6 | 7 | Jack in the Box | Oct. | 1,000.0 | 903.0 | 797.0 |
| 7 | 6 | Hardee's | Dec. | 964.0 | 920.0 | 877.0 |
| 8 | 8 | Whataburger | Sept. | 850.0 | 840.0 | 800.0 |
| 9 | 10 | Wendy's | Jan. | 797.0 | 759.0 | 741.0 |
| 10 | 9 | Krystal | Dec. | 790.0 | 765.0 | 765.0 |
| 11 | 11 | Sonic Drive-In | Aug. | 395.0 | 356.0 | 320.5 |
| | | AVERAGE: | | $ 972.4 | $ 923.4 | $ 886.6 |

Source: NRN Research

FOCUS | TOP 100

# COMPETITION BURNS PIZZAMAKERS

*As top pizza chains vie for a larger slice of the pie, executives predict that the Big Three powerhouses will elbow weaker players out of the game*

**By Milford Prewitt**

A major player's decision to cash in its restaurants underscores the fierceness of the market-share battle being waged in the $8.2billion pizza segment.

Systemwide sales at Pizza Inn, the No. 4 pizza chain, are expected to top $344 million this year. But the system's operator, Dallas-based Pantera's Corp., is facing the prospect of selling restaurants to pay bills.

While some of Pantera's travails can be traced back two years ago to its $48 million purchase of Pizza Inn — a company with 10 times the sales volume and three times the unit count of Pantera's — few would dispute the market pressures of the industry as a co-conspirator.

With two-for-one price discounts pervasive among the three pizza giants — Pizza Hut, Domino's, and Little Caesars, whose combined volume accounts for 80 percent of the Top 100 pizza segment sales — some see Pantera's as a sign that a shakeout is on the way.

"You pick up a newspaper, and the discount ads are all over the place," says Richard Frank, chief executive officer of Show Biz Pizza Time Inc. "It makes pretty tough competition from a pricing standpoint, and from the impact it has on margins. I think there's going to be some kind of a shakeout over time."

Herman Cain, president of Godfather's Pizza, agrees.

"The major challenge facing the pizza segment is just the continued competitiveness and shakeout that's going to take place," Cain says. "I think it's healthy.

"There are just too many pizza companies out there, and God bless them, but some of us are going to have to go away," he adds. "But I assure you that when the dust settles, Godfather's will still be selling pizza."

To some industry observers and participants, the industry's competitiveness is a sign of a healthy segment whose fortunes are destined to get better.

"It's our perception that the pizza segment is quite healthy," says Nancy Kruse, a principle of Technomic, a Chicago-based food-service research and consulting firm. "What's happening today in the pizza segment is a natural growth stage, but I don't see a major shakeout.

"There are always marginal operations in all segments of business, and those are the companies that are the most at risk when a shakeout begins," she says.

Anything but marginal, Domino's Pizza, with its roaring special discounts and marketing muscle, unabashedly is continuing to exert competitive pressure from its vaunted position as the segment's second-largest company.

The chain's sales volume is expected to top $2.6 billion in 1989 from more than 5,000 units systemwide.

"We've said all along that our focus is on market share," said Ron Hingst, a Domino's representative.

"To us, that is the key to our growth and success. We intend to attract new customers with our prices and keep them, and we're going to continue to do that."

While perennial segment leader Pizza Hut and third-place contender Little Caesar's waged a battle of the titans in the courtroom over trademark infringements on promotional phrases, Domino's blindsided them both with its earlier-than-expected rollout of deep-dish pizza, its first new menu item since the company's founding.

But the two-for-one battle that has consumed the titans and played havoc with the margins of others is one that will not go away anytime soon, Cain believes.

"The two-for-one phenomenon in the pizza segment is here to stay," he says. "However, I do not believe that a two-for-one alone will be the key to success because there are a lot of people who like to buy a single pizza.

"But what has happened with this two-for-one," he says, "is that it has added a permanent marketing tactic to our segment to the extent that it has become a vehicle business needs in order to compete."

Cain's allusion to a state of siege by the two-for-one promotion is a permanent way of doing business for Little Caesars, and it will not abate, says Lisa Ilitch Murray, a company representative.

"It's important to note that we've had the pizza-pizza concept since 1976," says Ilitch Murray. "When you talk to consumers about value, it's defined as quality and good price.

"So those promotions are a permanent part of Little Caesars. It's a normal way of business for us; it's nothing new."

Pressured by the Big Three, smaller pizza chains are looking to refine their market niche in order to accent what they do best.

Frank, whose Showbiz Pizza Time went public in January after breaking away from former parent Integra, is confident his company will remain one of the survivors. He is bolstered in his view by Showbiz Pizza Time's posting of the segment's highest sales per unit — $1.2 million — for the third

*(See **PIZZA**, page F69)*

## PIZZA CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Pizza Hut | Jan. | $3,100.0 | $2,800.0 | $2,200.0 |
| 2 | 2 | Domino's | May | 2,600.0 | 2,300.0 | 1,900.0 |
| 3 | 3 | Little Caesars Pizza | Dec. | 1,200.0 | 908.0 | 725.0 |
| 4 | 4 | Pizza Inn | June | 344.0 | 330.0 | 310.0 |
| 5 | 5 | Chuck E. Cheese/ Pizza Time Theatre | Dec. | 278.0 | 260.9 | 239.1 |
| 6 | 6 | Round Table Pizza | June | 265.0 | 250.0 | 250.0 |
| 7 | 7 | Godfather's Pizza | May | 236.0 | 245.0 | 261.0 |
| 8 | 8 | Sbarro the Italian Eatery | Dec. | 200.0 | 154.4 | 116.3 |
| | | TOTAL: | | $8,223.0 | $7,248.3 | $6,001.4 |

Source: NRN Research

## PIZZA CHAINS RANKED BY MARKET SHARE

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Pizza Hut | Jan. | 37.70% | 38.63% | 36.66% |
| 2 | 2 | Domino's | May | 31.62 | 31.73 | 31.66 |
| 3 | 3 | Little Caesars Pizza | Dec. | 14.59 | 12.53 | 12.08 |
| 4 | 4 | Pizza Inn | June | 4.18 | 4.55 | 5.17 |
| 5 | 5 | Chuck E. Cheese/ Pizza Time Theatre | Dec. | 3.38 | 3.60 | 3.98 |
| 6 | 6 | Round Table Pizza | June | 3.22 | 3.45 | 4.17 |
| 7 | 7 | Godfather's Pizza | May | 2.87 | 3.38 | 4.35 |
| 8 | 8 | Sbarro the Italian Eatery | Dec. | 2.43 | 2.13 | 1.94 |

Source: NRN Research

## PIZZA CHAINS RANKED BY NUMBER OF UNITS

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Pizza Hut | Jan. | 6,050 | 5,707 | 5,394 |
| 2 | 2 | Domino's | May | 5,008 | 4,893 | 4,279 |
| 3 | 3 | Little Caesars Pizza | Dec. | 2,747 | 2,180 | 1,308 |
| 4 | 4 | Pizza Inn | June | 758 | 666 | 677 |
| 5 | 6 | Round Table Pizza | June | 550 | 530 | 520 |
| 6 | 5 | Godfather's Pizza | May | 523 | 580 | 605 |
| 7 | 8 | Sbarro the Italian Eatery | Dec. | 316 | 253 | 190 |
| 8 | 7 | Chuck E. Cheese/ Pizza Time Theatre | Dec. | 258 | 258 | 262 |
| | | TOTAL: | | 16,210 | 15,067 | 13,235 |

Source: NRN Research

## PIZZA CHAINS RANKED BY SALES PER UNIT

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Chuck E. Cheese/ Pizza Time Theatre | Dec. | $1,187.4 | $1,109.8 | $1,036.9 |
| 2 | 2 | Sbarro the Italian Eatery | Dec. | 657.0 | 619.0 | 605.0 |
| 3 | 3 | Pizza Hut | Jan. | 572.0 | 520.0 | 490.0 |
| 4 | 4 | Round Table Pizza | June | 500.0 | 490.0 | 480.0 |
| 5 | 5 | Pizza Inn | June | 468.0 | 450.0 | 430.0 |
| 6 | 6 | Domino's | May | 441.0 | 439.0 | 432.0 |
| 7 | 8 | Godfather's Pizza | May | 440.0 | 414.0 | 410.0 |
| 8 | 7 | Little Caesars Pizza | Dec. | 428.0 | 421.0 | 398.4 |
| | | AVERAGE: | | $ 586.7 | $ 557.9 | $ 535.3 |

Source: NRN Research

**Pizza Hut is one of the nation's top three pizza chains.**

FOCUS | TOP 100

# FEATHERS FLY IN CHICKEN MARKET

*Poultry specialists squawking over heightened competition and runaway prices hatched by burger giants' flock of new chicken sandwiches*

**By Jack Hayes**

As if a soft economy and internal competition weren't enough to straighten the tail feathers of the nation's leading chicken chains, along come new sandwiches from quick-service competitors to pluck the segment's growth and profit opportunities.

Add the hen-house raid that came when Church's and Popeyes — the former second and third roosters of the business — swapped places in a stunning buyout early this year, and even the identity of the chicken segment begins to scramble like a duck egg.

"We're looking at a business broken into three parts," says George Rice of GDR enterprises, a group that researches eating share trends. He contends that the market has been fractured into three segments: fried-chicken-by-the-piece, chicken sandwiches, and non-fried-chicken.

Rice feels the chains reliant on chicken sandwiches have been hurting since the nationwide rollout of products like McDonald's McChicken, Burger King's Chicken International, Hardee's Chicken & Biscuit, and Arby's Chicken Cordon Bleu.

"Fighting McDonald's, Burger King, and Hardee's is no picnic," claims Rice, who says chicken operations' patrons have been lured off to sample the newest chicken sandwiches from the burger world.

If nothing else, the headlong rush into the chicken market by virtually all of the nation's quick-service chains has wrought temporary havoc with the supply and price of the main product.

"We've had some escalation since the McDonald's introduction," admits John Bifone, president of Charlotte, N.C.-based Bojangles' Chicken & Biscuits, the 151-unit regional chain owned by H & H Restaurant Corp.

Despite the stunning growth expected for operators like La Mirada, Calif.-based El Pollo Loco and Atlanta-based Chick-fil-A, the chicken segment as a whole will have an exceptionally flat year.

From distant leader Kentucky Fried Chicken, whose U.S. presence in 1989 may pass 5,000 stores, to tiny El Pollo Loco, with a system totaling only 200 units, the chicken segment's five largest chains will finish this year with only 19 more restaurants than they had in 1988: 7,665 vs. 7,646.

The main blame for that falls on the shrinkage of Church's Fried Chicken, which is now a subsidiary of Popeyes' parent, Biscuits investments. The chain is collapsing to 1,028 stores from a previous tally of 1,481.

Even though some 315 of the former Church's units are being converted to Popeyes in the wake of the struggling chain's dramatic pursuit and capture, the effort still leaves 138 fewer stores between the No. 2 and No. 3 chicken chains.

And although segment giant KFC plans to open about 100 domestic units in 1989, for a gain of 2 percent, it appears more interested in feathering its nest with increased unit sales than in expanding.

Grandy's, a Lewisville, Texas-based operation owned by American Restaurant Group, expects to have 218 chicken units by year-end. It has restructured management so that key personnel report to operations.

"This is an operational business," says Bob Speck, Grandy's chief operating officer. "We want everything — R & D, purchasing, training, human resources, and construction — to have operating influence."

Aside from installing a new headset point-of-sale system to speed drive-thru service and reduce waste, KFC is attacking a neglected lunch daypart with its new chicken sandwich test.

And, obviously impressed by the momentum of operators like El Pollo Loco, the grilled-chicken specialist that plans to grow this year to 200 stores averaging $1.1 million each, KFC is closely monitoring the non-fried market. The Pepsico-owned chain has been testing a grilled product in selected markets.

"The classic [fried-chicken-by-the-piece] category isn't doing so badly," says GDR's Rice. The "non-fried" group, although doing well, is hardly big enough yet to be called a separate concept area though, he adds.

KFC is updating its units, such as this one in Louisville, Ky.

NRN Photos

In the wake of the chain's recent struggle, some 315 Church's units are being converted to Popeyes Chicken.

## CHICKEN CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Kentucky Fried Chicken | Dec. | $3,000.0 | $2,900.0 | $2,700.0 |
| 2 | 3 | Popeye's Famous Fried Chicken & Biscuits | Oct. | 590.0 | 477.0 | 460.0 |
| 3 | 2 | Church's Fried Chicken | Dec. | 359.8 | 559.3 | 533.9 |
| 4 | 4 | Chick-Fil-A | Dec. | 268.0 | 230.0 | 202.0 |
| 5 | 5 | El Pollo Loco | Dec. | 220.0 | 173.0 | 115.0 |
| | | TOTAL: | | $4,437.8 | $4,339.3 | $4,010.9 |

Source: NRN Research

## CHICKEN CHAINS RANKED BY NUMBER OF UNITS

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Kentucky Fried Chicken | Dec. | 4,997 | 4,899 | 4,814 |
| 2 | 3 | Popeye's Famous Fried Chicken & Biscuits | Oct. | 1,030 | 715 | 675 |
| 3 | 2 | Church's Fried Chicken | Dec. | 1,028 | 1,481 | 1,495 |
| 4 | 4 | Chick-Fil-A | Dec. | 410 | 386 | 363 |
| 5 | 5 | El Pollo Loco | Dec. | 200 | 165 | 115 |
| | | TOTAL: | | 7,665 | 7,646 | 7,462 |

Source: NRN Research

## CHICKEN CHAINS RANKED BY SALES PER UNIT

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | El Pollo Loco | Dec. | $1,100.0 | $1,050.0 | $1,000.0 |
| 2 | 3 | Chick-Fil-A | Dec. | 662.0 | 622.0 | 575.0 |
| 3 | 2 | Popeye's Famous Fried Chicken & Biscuits | Oct. | 630.0 | 725.0 | 710.0 |
| 4 | 4 | Kentucky Fried Chicken | Dec. | 600.4 | 597.0 | 558.0 |
| 5 | 5 | Church's Fried Chicken | Dec. | 350.0 | 377.7 | 357.1 |
| | | AVERAGE: | | $ 668.5 | $ 674.3 | $ 640.0 |

Source: NRN Research

## CHICKEN CHAINS RANKED BY MARKET SHARE

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Kentucky Fried Chicken | Dec. | 67.60% | 66.83% | 67.32% |
| 2 | 3 | Popeye's Famous Fried Chicken & Biscuits | Oct. | 13.29 | 10.99 | 11.47 |
| 3 | 2 | Church's Fried Chicken | Dec. | 8.11 | 12.89 | 13.31 |
| 4 | 4 | Chick-Fil-A | Dec. | 6.04 | 5.30 | 5.04 |
| 5 | 5 | El Pollo Loco | Dec. | 4.96 | 3.99 | 2.87 |

Source: NRN Research

FOCUS | TOP 100

# CAFETERIAS EXPLORE NEW TURF

*Segment leaders are expanding into east and west markets, polishing new concepts, sharpening ad campaigns, and revving up take-out services*

**By Tracey Taylor Woodard**

While customer counts remain relatively flat at cafeteria chains this year, their parent companies have continued to expand, diversify, and evolve.

Still meeting stubborn resistance at the Mason-Dixon line, the chains looked east and west rather than north. Next year's plans call for Luby's to join Piccadilly and Morrison in Florida, while Furr's and Wyatt continue to seek their fortunes in the California market.

On other fronts, segment-leader Morrison is planning to expand its 12-unit Sadie's Buffet concept, as Piccadilly researches possibilities for its newly acquired six-unit Ralph & Kacoo's seafood chain. Furr's/Bishop's has slowed its cafeteria expansion to a crawl to create a specialty division for the sole purpose of expanding two-unit Furr's Pie Kitchen and creating other restaurant concepts.

Executives at Wyatt Cafeterias, which was sold to an employee stock ownership plan in the fall of 1988, spent most of the year educating employees and stockholders rather than building cafeterias.

And all five of the major chains are bowing to a convenience-minded generation by concentrating on take-out. Chains are experimenting with separate entrances, adding and designing drive-thrus and even building stand-alone units with no seating.

Here's a closer look at what each chain has in store for the coming year.

**Furr's/Bishop's seeks alternatives**

Executives of Lubbock, Texas-based Furr's/Bishop's Cafeterias L.P. plan to spend the next year concentrating on a new subsidiary of the company that will develop non-cafeteria operations.

"We're not actively expanding our cafeterias," says Don Fritz, president and chief operating officer of the 157-unit chain, "but we're not turning our back on them either."

Fritz says that most Furr's Cafeterias now serve a dual purpose, with the "all-you-can-eat" concept available in 95 of the units. Customers declare at the start of the serving line whether they want the à la carte price or the all-you-can-eat special. All-you-can-eat runs $4.49 at lunch and $5.29 at dinner. After passing through the line, all-you-can-eat customers are able to get seconds at a "reorder table" set up in the dining room.

"Customer counts for the company are up 8 percent," Fritz notes. "And the all-you-can-eat has been most helpful."

Fritz explains that the company plans to add two or three Furr's next year, mostly "backfilling" into markets they're already in. He adds that the 11 units in California were coming along nicely, and Bishop's continues to hold its own in the north.

The company has not raised menu prices this year, he says, except for sporadic increases on a few individual items.

Furr's helped lead the cafeteria segment's push into take-out with a double-drive-thru unit it opened earlier this year in its hometown of Lubbock.

"It's doing quite nicely," Fritz says of the side-by-side drive-thru lanes that were added to an existing cafeteria. "We're not in any great rush to expand it, though; we're still refining it."

He did say, however, that the company is currently working on another drive-thru unit for the Dallas-Fort Worth area.

The company's new subsidiary, called Furr's/Bishop's Specialty Group L.P., will expand the Furr's Pie Kitchen & Restaurant concept, design new restaurant formats internally, and shop for new operations, according to C. Kenneth Turner, the Furr's/Bishop's vice president of strategic planning and treasurer and president of the new group.

As part of the diversification, Turner says, some existing Furr's/Bishop's cafeterias will be converted to new concepts.

Furr's currently operates two Pie Kitchens, both in Lubbock.

**Luby's: Florida bound**

Luby's will start its fiscal 1989 with its first foray into Florida, notes John Lahourcade, chairman and chief executive officer of the 124-unit, San Antonio, Texas-based chain.

"The Florida market looks pretty good to us," he explains. "Morrison and Piccadilly do well there, and we thought we ought to start looking there."

Lahourcade says the company has no plans to follow Furr's and Wyatt to California, however. In fact, he says, most expansion will continue in the chain's home state of Texas, with 11 of the 12 planned for 1990 there.

And, he says, Luby's doesn't worry about cannibalization.

"We feel quality wins out in the long run," he explains, "and we're prepared to withstand the onslaught of all-you-can-eat and other specials. Fast-food has found out that couponing is a tough program. We're confident that we can hold on without resorting to it. Mr. Luby always used to say, 'Everybody ought to know what their food is worth.'"

Luby's is aggressively developing its Food-To-Go program, remodeling old stores and building all new stores with separate entrances. Lahourcade says stores with the remodeling have increased take-out sales by an average of 50 percent. Food-To-Go represents about 4 to 6 percent of total sales, he notes.

The drive-thru unit recently opened in San Antonio, Texas, is working "really well," Lahourcade says, with Food-To-Go sales up to 12 percent at that store.

"We'll put the drive-thru where we have the opportunity to do it," he says. "But the space and the neighborhood has to be just right for it."

The company raised prices 4 percent in March, mostly as a result of fixed costs, Lahourcade says. He specifically cites the current worker's compensation situation in Texas, where 85 percent of Luby's cafeterias operate, as a problem.

"We're devoting an awful lot of time to safety programs," he says. "And we've had good success this year in lowering our accident rate, but it takes time to be reflected in the premium."

When asked if Luby's was considering any other business than the cafeteria business, Lahourcade laughs.

"[The other cafeteria chains] are diverisfying because they've run out of ideas to run cafeterias," he says. "We don't feel we have. We'll leave the fancy restaurant to somebody else.

"The cafeteria business is what brung

*(See **CAFETERIAS**, page F81)*

**CAFETERIA CHAINS RANKED BY SYSTEMWIDE SALES**

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Morrison's Family Dining | June | $320.0 | $291.0 | $278.0 |
| 2 | 2 | Furr's Bishop's Cafeterias | Dec. | 288.0 | 271.0 | 256.2 |
| 3 | 3 | Luby's Cafeteria | Aug. | 285.0 | 254.3 | 232.9 |
| 4 | 4 | Piccadilly Cafeterias | June | 274.0 | 234.6 | 217.5 |
| 5 | 5 | Wyatt Cafeterias | Dec. | 180.1 | 175.3 | 178.0 |
| | | TOTAL: | | $1,347.1 | $1,226.2 | $1,162.6 |

Source: NRN Research

**CAFETERIA CHAINS RANKED BY MARKET SHARE**

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Morrison's Family Dining | May | 23.75% | 23.73% | 23.91% |
| 2 | 2 | Furr's/Bishop's Cafeterias | Dec. | 21.38 | 22.10 | 22.04 |
| 3 | 3 | Luby's Cafeteria | Aug. | 21.16 | 20.74 | 20.03 |
| 4 | 4 | Piccadilly Cafeterias | June | 20.34 | 19.13 | 18.71 |
| 5 | 5 | Wyatt Cafeterias | Dec. | 13.37 | 14.30 | 15.31 |

Source: NRN Research

**Interior of a Morrison's Cafeteria. Inset: Morrison Inc. chairman and ceo E. Eugene Bishop.**

FOCUS | TOP 100

# DINNER HOUSES REBOUND

## *Major chains resume expansion drives after rebuilding per-unit averages with menu changes, remodeling, and intensified marketing efforts*

**By Carolyn Walkup**

The leading dinner-house chains are resuming expansion after a retrenchment period that paid off in increased unit sales.

T.G.I. Friday's, Houlihan's, Chili's, Chi-Chi's, Red Lobster, and Olive Garden are leading the growth binge. Bennigan's is concentrating on fine-tuning existing operations following S & A Restaurants' management-led acquisition from Grand Met. The leveraged buyout left no cash for expansion.

Those chains showing the strongest projected sales per unit in fiscal 1989 are T.G.I. Friday's, with an average of $3.2 million per restaurant; Houlihan's, $2.9 million; and Red Lobster, $2.8 million. In most cases only a small percentage of the sales increases came from menu-price hikes, executives said.

"We believe the maturing of the population and other demographic factors will work to the benefit of dinner-house restaurants," says Joe Lee, president of General Mills Restaurants, which operates Red Lobster and Olive Garden. General Mills plans to add a total of 105 units to both chains this year in North America. New Olive Gardens are opening at an incredible rate of one per week.

General Mills' five-year goal for Olive Garden is to more than double the chain's size to 350 units, propelling sales in the United States and Canada to a projected $1 billion. The first Canadian unit will open next year.

Chili's is continuing its rapid expansion, with plans to add about 25 company-owned and 10 franchised or joint-venture units in the coming year, according to Jim Parish, executive vice president and chief financial officer. "This will be the sixth year of increases in comparable store sales," he notes, citing growth of 5 percent for fiscal 1989.

Coming out of a three-year turnaround period and ending its first full year as a Foodmaker subsidiary, Chi-Chi's increased comparable store sales by more than 5 percent and opened 12 new stores. Chi-Chi's plans to open 20 new company-owned locations and two or three franchised ones in the next fiscal year, primarily in the Midwest and Northeast, says president Hal Smith.

The new units will open in smaller buildings in smaller cities "to fill in existing markets," Smith says.

Other segment leaders plan more modest growth of roughly 10 to 15 units this year. "This past year sales finally turned around, and that really bodes well for 1989 and going forward," says Richard Rivera, TGI Friday's chief executive. Friday's expansion strategy is to concentrate on franchising and to sell more of its company-owned restaurants to franchisees.

Franchisees who purchase company-owned restaurants agree to develop territories in areas where Friday's has a limited presence, such as in the Midwest.

There are many urban and suburban markets where Friday's plans to increase its presence further, including the Northeast, California, Florida, and Chicago, Rivera notes. He adds that the chain will open both both company-owned and franchised stores.

Houlihan's expects to add about 10 units this year, mostly in the Northeast, through the efforts of the Riese Organization, which now owns 40 percent of the stock of Houlihan's parent, Gilbert-Robinson. Per-unit sales increased year-to-year by 5.9 percent in 1988, according to Frederick Hipp, Houlihan's president.

Executives credited their chain's per-unit sales gains to enhanced marketing efforts, particularly an effort to keep repeat customers. "We will be focusing on keeping price-value perception very high and being sure the customer is right every time," explains Chili's Parish.

Red Lobster cites remodeling and the addition of non-fried items as the key reason why the chain has increased sales per unit consistently since 1985. Per-unit sales increased from $2.7 million in fiscal 1988 to $2.8 million in fiscal 1989.

Simplifying the broad menu at Friday's "to make it easier for the guest to deal with" and running a successful radio campaign are two primary reasons why the chain's per-unit sales increased from $3 to $3.2 million, Rivera says. That increase marked the first rise of any consequence since 1982.

In Hipp's analysis Houlihan's per-unit sales gains were helped "by doing a better job than people who compete against the concept. Some of our competitors deteriorated in 1987 and 1988. We picked up some market share."

Bennigan's, meanwhile, has shown flat and slightly falling per-unit sales over the past few years. The chain plans to continue efforts to improve "the quality of operations and guest services to get frequent users to come back more" and to attract new customers, according to Greg Sellers, Bennigan's concept analyst.

While Chili's has doubled its number of units since 1986, it also has broadened its menu in an effort to lure a broader customer base. Salads were added to attract more women, and children's menus were adopted to draw families, Parish notes. "Our market share is gaining," he observes.

Chili's will concentrate its immediate expansion in California, Florida, and the Midwest, Parish says, and it will continue to market the restaurant to the 23-to-50 age group.

To be sure, not every chain in the segment is planning to grow by leaps and bounds. El Torito expects to have four more units in operation by the end of its fiscal year. Ground Round plans six more restaurants, and Stuart Anderson's anticipates adding only one more outlet.

Steak & Ale ended up with three fewer restaurants this year than last.

Officers of leading dinner-house chains expressed few fears for the coming year, discounting predictions of a looming recession. Rivera says he and his Friday's associates are "somewhat concerned about government legislation and economic conditions," with emphasis on the former.

"If there is a major recession, we will see a dip in sales," Hipp says. "But one or two quarters won't affect business."

### DINNER-HOUSE CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Red Lobster | May | $1,200.0 | $1,050.0 | $ 977.0 |
| 2 | 2 | Bennigan's | May | 458.7 | 455.0 | 449.3 |
| 3 | 3 | Chi-Chi's | Oct. | 422.0 | 431.0 | 410.0 |
| 4 | 5 | T.G.I. Friday's | Jan. | 410.0 | 383.0 | 364.1 |
| 5 | 4 | El Torito | Dec. | 400.0 | 386.0 | 402.0 |
| 6 | 6 | Chili's Grill & Bar | June | 331.0 | 260.0 | 196.0 |
| 7 | 11 | Olive Garden | May. | 300.0 | 171.0 | 75.0 |
| 8 | 7 | Ground Round | Sept. | 300.0 | 259.0 | 216.0 |
| 9 | 8 | Steak and Ale | May | 214.5 | 221.1 | 256.0 |
| 10 | 9 | Stuart Anderson's Black Angus | Dec. | 198.8 | 187.0 | 187.0 |
| 11 | 10 | Houlihan's | Dec. | 198.6 | 179.6 | 164.3 |
| | | TOTAL: | | $4,433.6 | $3,982.7 | $3,696.7 |

Source: NRN Research

### DINNER-HOUSE CHAINS RANKED BY MARKET SHARE

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Red Lobster | May | 27.07% | 26.36% | 26.43% |
| 2 | 2 | Bennigan's | May | 10.35 | 11.42 | 12.15 |
| 3 | 3 | Chi-Chi's | Oct. | 9.52 | 10.82 | 11.09 |
| 4 | 5 | T.G.I. Friday's | Jan. | 9.25 | 9.62 | 9.85 |
| 5 | 4 | El Torito | Dec. | 9.02 | 9.69 | 10.87 |
| 6 | 6 | Chili's Grill & Bar | June | 7.47 | 6.53 | 5.30 |
| 7 | 11 | Olive Garden | May. | 6.77 | 4.29 | 2.03 |
| 8 | 7 | Ground Round | Sept. | 6.77 | 6.50 | 5.84 |
| 9 | 8 | Steak and Ale | May | 4.84 | 5.55 | 6.93 |
| 10 | 9 | Stuart Anderson's Black Angus | Dec. | 4.48 | 4.70 | 5.06 |
| 11 | 10 | Houlihan's | Dec. | 4.48 | 4.51 | 4.44 |

Source: NRN Research

### DINNER-HOUSE CHAINS RANKED BY NUMBER OF UNITS

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Red Lobster | May | 441 | 402 | 392 |
| 2 | 2 | Bennigan's | May | 222 | 214 | 206 |
| 3 | 3 | Ground Round | Sept. | 218 | 212 | 190 |
| 4 | 4 | Chi-Chi's | Oct. | 203 | 196 | 197 |
| 5 | 5 | El Torito | Dec. | 182 | 178 | 191 |
| 6 | 7 | Chili's Grill & Bar | June | 170 | 146 | 114 |
| 7 | 6 | Steak and Ale | May | 159 | 162 | 178 |
| 8 | 8 | T.G.I. Friday's | Jan. | 153 | 133 | 128 |
| 9 | 9 | Olive Garden | May. | 144 | 92 | 52 |
| 10 | 10 | Stuart Anderson's Black Angus | Dec. | 86 | 85 | 85 |
| 11 | 11 | Houlihan's | Dec. | 68 | 64 | 62 |
| | | TOTAL: | | 2,046 | 1,884 | 1,795 |

Source: NRN Research

### DINNER-HOUSE CHAINS RANKED BY SALES PER UNIT

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | T.G.I. Friday's | Jan. | $3,200.0 | $3,000.0 | $2,900.0 |
| 2 | 2 | Houlihan's | Dec. | 2,990.0 | 2,850.0 | 2,690.0 |
| 3 | 3 | Red Lobster | May | 2,800.0 | 2,650.0 | 2,450.0 |
| 4 | 4 | Olive Garden | May. | 2,700.0 | 2,600.0 | 2,500.0 |
| 5 | 5 | Stuart Anderson's Black Angus | Dec. | 2,300.0 | 2,200.0 | 2,200.0 |
| 6 | 7 | Chi-Chi's | Oct. | 2,250.0 | 2,173.0 | 2,045.0 |
| 7 | 8 | El Torito | Dec. | 2,220.0 | 2,090.0 | 2,080.0 |
| 8 | 6 | Bennigan's | May | 2,100.0 | 2,200.0 | 2,200.0 |
| 9 | 9 | Chili's Grill & Bar | June | 2,100.0 | 2,000.0 | 1,950.0 |
| 10 | 11 | Ground Round | Sept. | 1,400.0 | 1,300.0 | 1,150.0 |
| 11 | 10 | Steak and Ale | May | 1,300.0 | 1,300.0 | 1,400.0 |
| | | AVERAGE: | | $2,305.5 | $2,214.8 | $2,142.3 |

Source: NRN Research

# FOCUS | TOP 100

Jeff Rogers, USA Cafe's president, stands next to the Bonanza salad bar.

## STEAK-HOUSE CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Sizzler Steak Seafood & Salad | April | $ 845.6 | $ 748.6 | $ 632.5 |
| 2 | 2 | Ponderosa Steak Houses | Feb. | 710.0 | 696.0 | 651.0 |
| 3 | 3 | Bonanza Family Restaurants | Dec. | 620.0 | 570.5 | 458.4 |
| 4 | 4 | Western Sizzlin Restaurants | Dec. | 500.0 | 487.5 | 466.2 |
| 5 | 5 | Golden Corral Family Steakhouse | Dec. | 464.8 | 455.6 | 428.8 |
| 6 | 7 | Ryan's Family Steak Houses | Dec. | 295.0 | 236.0 | 185.0 |
| 7 | 6 | Quincy's Family Steakhouse | Dec. | 259.8 | 250.9 | 221.5 |
| | | TOTAL: | | $3,695.2 | $3,445.1 | $3,043.4 |

Source: NRN Research

## STEAK-HOUSE CHAINS RANKED BY MARKET SHARE

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Sizzler Steak Seafood & Salad | April | 22.88% | 21.73% | 20.78% |
| 2 | 2 | Ponderosa Steak Houses | Feb. | 19.21 | 20.20 | 21.39 |
| 3 | 3 | Bonanza Family Restaurants | Dec. | 16.78 | 16.56 | 15.06 |
| 4 | 4 | Western Sizzlin Restaurants | Dec. | 13.53 | 14.15 | 15.32 |
| 5 | 5 | Golden Corral Family Steakhouse | Dec. | 12.58 | 13.22 | 14.09 |
| 6 | 7 | Ryan's Family Steak Houses | Dec. | 7.98 | 6.85 | 6.08 |
| 7 | 6 | Quincy's Family Steakhouse | Dec. | 7.03 | 7.28 | 7.28 |

Source: NRN Research

# STEAK HOUSES BLAZE NEW TRAILS

*Armed with revamped menus, logos, and ads, leading chains struggle to shed their stodgy images and pioneer the new territory of budget family dining*

By Jack Hayes

America's budget steak-house chains are slowly but surely waving good-bye to the old steak-house image.

Fearful of falling stagnant under a steak-only stereotype, more and more of the nation's budget beef specialists are rewriting menus, logos, and even ad messages — creating a new segment image called budget family dining.

Following the lead set by operators like Sizzler Steak Seafood Salad, Ryan's Family Steak Houses, and Bonanza Family Restaurants, the other players are continuing to broaden their concepts.

Outside the budget segment, though, steak-house chains like Steak and Ale and Stuart Anderson's are still keeping their steak image very much alive.

That is not so for eight major budget steak-house operations.

"How can you argue we're a steak-house segment anymore when only 28 to 32 percent of our sales are red meat?" asks Jeff Rogers, president of Dallas-based USA Cafes, which franchises 652 Bonanza Family Restaurants.

"At one time it was budget steaks, but now it's budget meals," charges Rogers, who claims the term "steak house" is as archaic as another outdated food-service term: "coffee shop."

"Our competition now is Shoney's," adds Rogers. He points to chains like Sizzler, which got the segment change on a roll when it added the words "seafood" and "salad" to a logo that once read only Steaks — and then built eclectic self-serve food bars and brighter interiors.

Other steak specialists have been doing likewise.

Most recently, the 550-unit Western Sizzlin chain — under new ownership since last November — announced a decision to drop "Steak Houses" from the logo and to begin calling itself Western Sizzlin Restaurants.

"Most of the major players are looking for new paths," says Michael Stack, who became president of Western Sizzlin when seven investor-managers, including him and Pizza Hut veteran Frank Carney, acquired the 27-year-old chain.

Yet there's disagreement among the players about which course exactly is best.

While Stack and Western Sizzlin take the expanded menu route, attempting to carve a hybrid niche called budget casual dining, most steak house operators — led by 142-unit Ryan's — continue promoting their giant self-service food bar alternatives.

"Food bars are taking over the segment. We're two restaurants under the same roof," says Richard Kraft at the 185-unit Western Steer Family Steakhouse chain based in Claremont, N.C.

Nevertheless, the segment's biggest player, 720-unit Ponderosa Steak Houses, is recoiling from the unprofitable rollout of an 80-item food bar last year. Called Grand Buffet, it is similar to the Mega Bar buffet, which accounts for half of the sales at Ryan's.

While the Grand Buffet was said to be a popular introduction, Ponderosa franchisees complained it had been too costly to promote.

When all is said and done, however, Ponderosa is scoring fourth place in average unit sales — higher than Bonanza, Golden Corral, Western Steer, and Western Sizzlin — among the eight largest operators.

Far outshining all others in per-unit sales is Ryan's, which averages more than $2 million per restaurant. Sizzler Steak Seafood Salad — with 628 stores — is the star performer among the chain giants, averaging $1.43 million per restaurant.

Quincy's, a 220-unit chain owned by Spartan Food Systems, the Spartanburg, S.C., division of TW Services Inc., averages $1.2 million in sales per unit, which is enough to grab third place.

While operators fight to build store volumes, they are having to address the labor issue. Holding down turnover is seen as a key to improving service images and controlling labor costs, which can get eaten up in training.

"We've got to figure out how to motivate and retain the employees," Bonanza's Rogers warns. "This is going to cost up front in better compensation and communication, better incentives, and even cross-training."

Other image factors are being addressed by the major budget chains. More exciting food displays, more contemporary fixtures, and brighter interiors are part of the new direction they are taking.

## STEAK-HOUSE CHAINS RANKED BY SALES PER UNIT

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Ryan's Family Steak Houses | Dec. | $2,080.0 | $1,930.0 | $1,950.0 |
| 2 | 2 | Sizzler Steak Seafood & Salad | April | 1,430.0 | 1,360.0 | 1,230.0 |
| 3 | 3 | Quincy's Family Steakhouse | Dec. | 1,218.0 | 1,179.0 | 952.0 |
| 4 | 4 | Ponderosa Steak Houses | Feb. | 986.1 | 1,001.4 | 984.9 |
| 5 | 5 | Bonanza Family Restaurants | Dec. | 975.0 | 940.0 | 916.0 |
| 6 | 6 | Golden Corral Family Steakhouse | Dec. | 943.0 | 886.0 | 861.5 |
| 7 | 7 | Western Sizzlin Restaurants | Dec. | 909.1 | 774.0 | 790.2 |
| | | AVERAGE: | | $1,220.2 | $1,153.2 | $1,098.1 |

Source: NRN Research

## STEAK-HOUSE CHAINS RANKED BY NUMBER OF UNITS

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Ponderosa Steak Houses | Feb. | 720 | 695 | 661 |
| 2 | 2 | Bonanza Family Restaurants | Dec. | 652 | 612 | 600 |
| 3 | 3 | Sizzler Steak Seafood & Salad | April | 628 | 587 | 547 |
| 4 | 4 | Western Sizzlin Restaurants | Dec. | 550 | 579 | 594 |
| 5 | 5 | Golden Corral Family Steakhouse | Dec. | 501 | 505 | 514 |
| 6 | 6 | Quincy's Family Steakhouse | Dec. | 220 | 211 | 215 |
| 7 | 7 | Ryan's Family Steak Houses | Dec. | 142 | 122 | 95 |
| | | TOTAL: | | 3,413 | 3,311 | 3,226 |

Source: NRN Research

# FOCUS | TOP 100

# FAMILY FEEDERS FIGHT BACK

## *Pinched between fast-feeders and dinner houses, coffee-shop chains are plotting ways to woo aging consumers back into the midscale fold*

**By Richard Martin**

Sandwiched, if not smothered, between the glitzier fast-food and dinner-house categories, family-restaurant chains continue struggling to accelerate their growth and bring customers back to the midscale marketplace.

Some recent sales trends suggest that the family segment may be gaining advantages as a result of unprecedented sluggishness in competing fields, particularly fast food.

However, many executives of the so-called coffee-shop chains are less than confident that they can soon halt the theft of customers by upscale competitors who discount and quick-service players who upgrade their offerings. As a result, the outlook for the midscale field remains clouded by uncertainty.

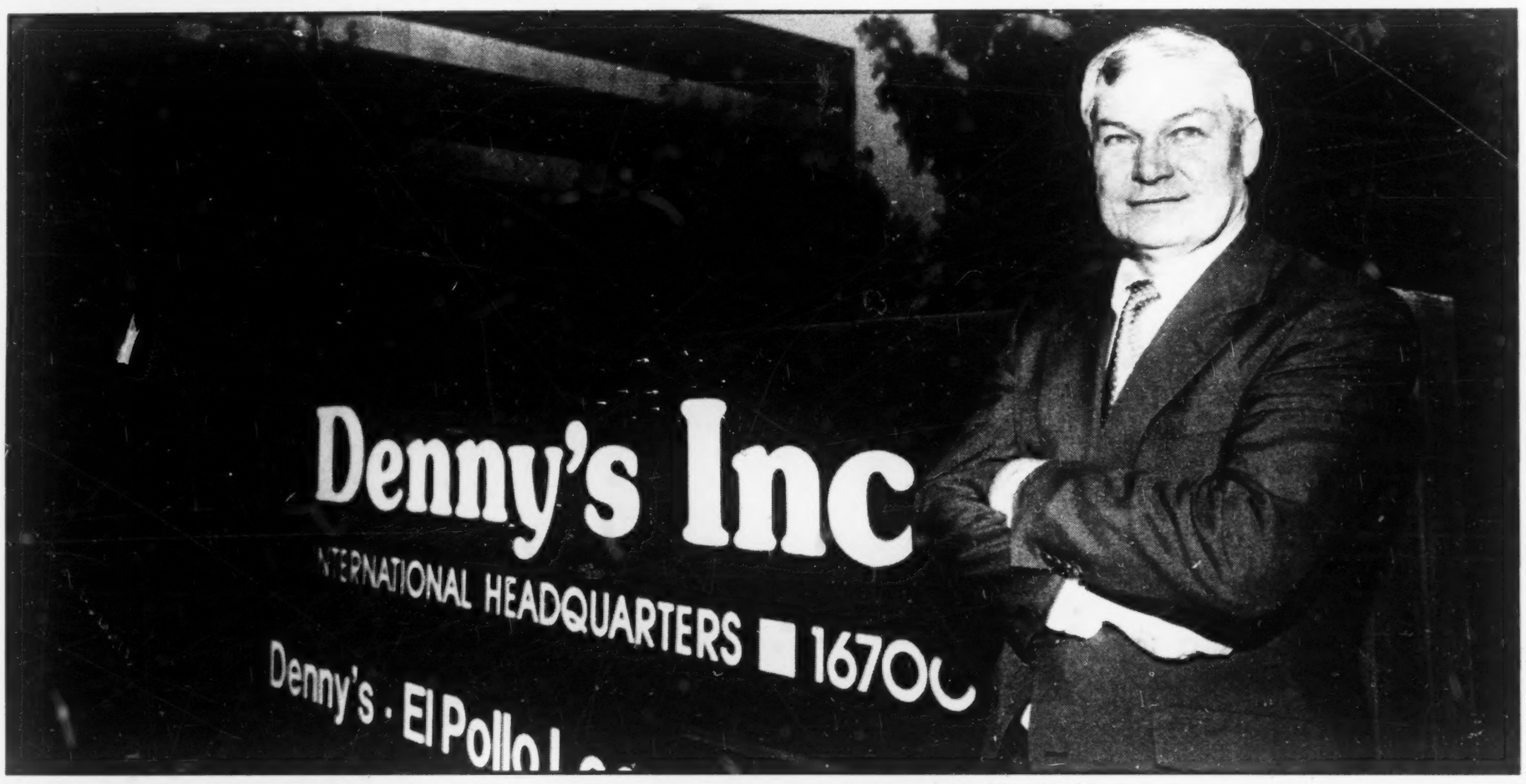
"Everyone in the family segment is backing off and taking a look," says William Morgan, executive vice president of Elias Bros., the Warren, Mich.-based franchisor of the Big Boy system. "Everybody's a little cautious."

"There's a rough business climate right now, no question about it," laments Keith Bradbury, chief financial officer of the Bob Evans Farms chain.

Officials of the segment-leading Denny's chain, which was recently acquired by the Coniston Partners arbitrage firm through its takeover of TW Services, are also uncertain about the family field's growth prospects. "I'm just not sure this is a good year to judge" the segment's future, Sue Henderson, Denny's marketing director, remarks.

Seeking to shed their humdrum, white-bread images and find ways to improve their food and service, the broad-menu chains of the family segment remain wary about customer defections to upscale and downscale competitors.

"The family-style group has had a decreasing market share because the quick-service guys have really put up a wall of noise with their advertising, and the upscale chains have been able to pin their performances on a menu specialty," says analyst Nancy Kruse of Technomic, a Chicago-based research company.




**Sam Maw, president of Denny's Inc., in front of headquarters in La Mirada, Calif.**

However, she and other industry-watchers suggest that the tide may be turning in favor of the nation's beleaguered family-restaurant companies and against their archrivals — at least those in the fast-food field.

An analysis of second-quarter sales, by GDR Enterprises in Park Ridge, Ill., painted a bleak picture that was further marred by a "disastrous" month of May, chairman George Rice indicates.

However, "The midscale, family segment weathered the storm better than others," Rice says.

"The family-style types of restaurants significantly outperformed quick-service in the quarter; we've not seen that before," notes Rice, who called the detected year-to-year decline in real sales at fast-food chains the first such quarterly setback for the segment since he has been tracking industry sales.

Other statistics suggest that fast food's binge of menu-item novelties and decor upgrades may be wearing thin with restaurant-goers, who may be rediscovering the full-service amenities of the family category. Last year, while fast-food hamburger chains opened 5.4 percent more new restaurants than they had a year earlier, their inflation-adjusted sales grew at only 3 percent, according to Technomic.

Simultaneously, family restaurants enjoyed real-sales gains of 4.3 percent from year to year while expanding their chains by only 2.9 percent, the Chicago firm reports. Compared with fast feeders, family-style chains "are doing a good job of taking more [sales] out of existing locations," says Technomic's Kruse.

Market conditions, revolving principally around an aging consumer majority, will "slowly evolve to favor full-service types of restaurants," predicts CREST's Rice, who says those operations are "on a better footing" to meet the needs of maturing consumers who are becoming more family oriented and sophisticated in their tastes.

"The customer comes first at Shoney's," remarks Taylor Henry, chief financial officer for one of the segment's stronger performers. He points to Shoney's six-year unit-renovation cycle, "active" research and development department, and monthly menu-based promotions as some of the reasons underlying the chain's 1.1-point year-to-year improvement in average unit-level profit margin, which currently amounts to 12.5 percent of sales.

"If you have some sense of vitality on the menu and you do some savvy promotions, you have a chance to make some headway in this segment," says Kruse, pointing to such solid performers as Perkins, Bob Evans Farms, and Cracker Barrel as other positive role models for their peers.

Kruse also says the Friendly chain, a comparatively lackluster performer of late, will also merit a closer look to see if it gains any synergistic advantages from Perkins, its new sister chain. Perkins, also owned by Tennessee Restaurant Corp., posted an estimated 15-percent year-to-year increase in same-store sales in 1988 and is now under the leadership of former Burger King veteran Don

*(See **FAMILY**, page F73)*

### FAMILY RESTAURANT CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year, in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Denny's | Dec. | $1,300.0 | $1,227.0 | $1,335.0 |
| 2 | 2 | Big Boy | Dec. | 1,040.0 | 1,030.0 | 1,027.0 |
| 3 | 3 | Shoney's | Oct. | 860.0 | 798.6 | 718.6 |
| 4 | 4 | Friendly | Dec. | 590.0 | 563.5 | 572.4 |
| 5 | 5 | Perkins | Dec. | 450.0 | 375.0 | 343.7 |
| 6 | 6 | International House of Pancakes | Dec. | 325.0 | 291.3 | 297.5 |
| 7 | 7 | Bob Evans Farms | April | 293.5 | 259.2 | 221.2 |
| 8 | 8 | Marie Callender's | Dec. | 265.0 | 230.0 | 206.4 |
| 9 | 9 | Village Inn | Oct. | 230.0 | 229.7 | 218.3 |
| 10 | 10 | Waffle House | June | 219.6 | 210.0 | 189.4 |
| 11 | 11 | Bakers Square | Oct. | 214.0 | 189.4 | 155.8 |
| 12 | 12 | Howard Johnson | April | 184.0 | 182.0 | 250.0 |
| | | TOTAL: | | $5,971.1 | $5,585.7 | $5,535.3 |

Source: NRN Research

### FAMILY RESTAURANT CHAINS RANKED BY MARKET SHARE

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Denny's | Dec. | 21.77% | 21.97% | 24.12% |
| 2 | 2 | Big Boy | Dec. | 17.42 | 18.44 | 18.55 |
| 3 | 3 | Shoney's | Oct. | 14.40 | 14.30 | 12.98 |
| 4 | 4 | Friendly | Dec. | 9.88 | 10.09 | 10.34 |
| 5 | 5 | Perkins | Dec. | 7.54 | 6.71 | 6.21 |
| 6 | 6 | International House of Pancakes | Dec. | 5.44 | 5.22 | 5.37 |
| 7 | 7 | Bob Evans Farms | April | 4.92 | 4.64 | 4.00 |
| 8 | 8 | Marie Callender's | Dec. | 4.44 | 4.12 | 3.73 |
| 9 | 9 | Village Inn | Oct. | 3.85 | 4.11 | 3.94 |
| 10 | 10 | Waffle House | June | 3.68 | 3.76 | 3.42 |
| 11 | 11 | Bakers Square | Oct. | 3.58 | 3.39 | 2.81 |
| 12 | 12 | Howard Johnson | April | 3.08 | 3.26 | 4.52 |

Source: NRN Research

FOCUS | TOP 100

# CONTRACT FEEDERS BRANCH OUT

*Leaders are grasping for more market share by testing new concepts, offering more menu choices, and dabbling in employee incentive programs*

By Bill Carlino

Fanning the embers left from contract feeding's takeover-and-diversification tear of 1986 and '87, the segment's major players are wading into new arenas and vying for bigger chunks of the $10 billion market.

Marriott Food Services Management, just as in 1986, when it completed the $500 million acquisition of Saga Corp., has thrust itself in the spotlight with the pending sale of its In-Flite airline catering division. The purchasing group, headed by former Marriott lodging executive Fred Malek and In-Flite executive vice president Dan Altobello, scooped up one of Marriott's oldest divisions for an estimated $600 million.

The underperforming division, hampered by flat sales and several consecutive quarters of profit declines of 5 percent or higher, was further hindered by the protracted labor dispute at Eastern Airlines.

The new organization will fly under the name of Caterair International but will be allowed to use the Marriott banner for the next five years.

By virtue of a licensing agreement signed earlier this year, Host, Marriott's airport feeding division, will begin its planned rollout of Pizza Hut carts in its airport accounts.

Marriott's ancillary contract services continue to test the waters of new markets, as evidenced by the recent acquisition of United HealthServ, a major laundry and housekeeping concern.

Marriott announced that it would strengthen its vending and facilities management while joining a host of major contract players' health- care markets. In total, about $2.3 billion of Marriott's $5.4 billion food-service revenues stems from its contract-feeding division.

According to Dick Kresky, vice president of Marriott's Business Food & Services division, the operation added about 100 new accounts and boasted an account retention percentage in the high 90s.

With more than $1.6 billion in projected revenues for 1989, Canteen Corp., the nation's second-largest contract feeder, will now operate under the umbrella of Coniston Partners. The New-York based arbitrager wrested control of Canteen's former parent company, TW Services Inc., for $1.7 billion.

At the time of the takeover, Coniston Partners said it would expand TW's core food operations, which include the 1,200-unit Denny's coffee shop chain, the El Pollo Loco grilled-chicken group, and Quincy's Family Steakhouses.

Canteen enjoyed the luxury of double-digit growth from each of its divisions and picked up five major college feeding accounts, including a $4 million contract for the University of California at Irvine.

"Everything will be status quo here despite the sale," said Hal Richie, Canteen's vice president of sales and marketing. "We're beginning to put more emphasis on our special markets like correctional feeding and child care."

Richie added that the company acquired several contracts for county correctional facilities.

### Service America gets new skipper

A 1987 management-led buyout rescued Service America from an austere life under debt-laden former parent Allegheny Beverage. But the Stamford, Conn.-based feeder did not escape unscathed; growth was curtailed, and sales per unit have dropped over $200,000 in two years. Overall, Service America expects an annual increase of just $10 million by the end of 1989.

However, the days of Service America's slothlike growth may be numbered now that Steve Leipsner, the man who built Marriott's Travel Plazas division, has assumed the positions of president and chief executive.

Leipsner says he will diversify Service America and try to secure licenses for the contract feeder to operate units of nationally known food-service chains. He employed a similar strategy during his six-year stint at Marriott, where he transformed a string of underperforming roadside restaurants into a $300 million-a-year empire.

ARA Services Inc. is capitalizing on an effective central marketing program to experiment with several new feeding concepts under its ARASERV food-service division.

ARA's School Nutrition Services and Campus Dining Services operations have begun offering students a wider variety of menu choices through concepts like Deli Corner, Itza Pizza, and Gretel's Bake Shop.

The Campus Dining Division has added 20 new accounts, including the University of Virginia at Charlottesville, a 10-year, $16.5 million contract.

The company's Leisure Services arm assumed feeding and concession contracts for New York's Ellis Island historical museum and Lake Powell, an expansive resort area in the Southwest.

Another top-level management change took place at Morrison's

*(See CONTRACT FEEDERS, page F69)*

**A worker for Sportservice, a food-service division of Delaware North.**

**CONTRACT FEEDER CHAINS RANKED BY SYSTEMWIDE SALES**

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Marriott Food Services Management | Dec. | $2,340.0 | $2,120.0 | $1,897.3 |
| 2 | 2 | Canteen | Dec. | 1,651.0 | 1,597.0 | 1,475.0 |
| 3 | 3 | ARA Services (ARA SERV) | Sept. | 1,357.0 | 1,261.0 | 1,145.0 |
| 4 | 5 | Service America | March | 1,040.0 | 1,034.0 | 1,016.0 |
| 5 | 4 | Marriott In-Flite/Host | Dec. | 1,010.0 | 1,060.0 | 986.0 |
| 6 | 6 | Dobbs International/ Dobbs Houses | Dec. | 505.0 | 463.0 | 449.0 |
| 7 | 7 | Sky Chefs | Dec. | 383.4 | 352.7 | 333.4 |
| 8 | 8 | Morrison Custom Management | May | 335.0 | 266.1 | 166.2 |
| 9 | 9 | Ogden Allied Leisure Services | Dec. | 260.0 | 241.0 | 210.0 |
| 10 | 10 | Seiler Corp. | Aug. | 241.0 | 225.0 | 185.0 |
| 11 | 11 | Harry M. Stevens | Dec. | 231.3 | 215.0 | 192.0 |
| 12 | 13 | Daka | June | 210.0 | 191.0 | 182.0 |
| 13 | 12 | Sportservice | Dec. | 209.0 | 193.0 | 174.0 |
| 14 | 14 | Concession Air | Dec. | 195.3 | 180.0 | 163.0 |
| | | TOTAL: | | $9,968.0 | $9,398.8 | $8,573.9 |

Source: NRN Research

**CONTRACT FEEDER CHAINS RANKED BY MARKET SHARE**

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Marriott Food Services Management | Dec. | 23.48% | 22.56% | 22.13% |
| 2 | 2 | Canteen | Dec. | 16.56 | 16.99 | 17.20 |
| 3 | 3 | ARA Services (ARA SERV) | Sept. | 13.61 | 13.42 | 13.35 |
| 4 | 5 | Service America | March | 10.43 | 11.00 | 11.85 |
| 5 | 4 | Marriott In-Flite/Host | Dec. | 10.13 | 11.28 | 11.50 |
| 6 | 6 | Dobbs International/Dobbs Houses | Dec. | 5.07 | 4.93 | 5.24 |
| 7 | 7 | Sky Chefs | Dec. | 3.85 | 3.75 | 3.89 |
| 8 | 8 | Morrison Custom Management | May | 3.36 | 2.83 | 1.94 |
| 9 | 9 | Ogden Allied Leisure Services | Dec. | 2.61 | 2.56 | 2.45 |
| 10 | 10 | Seiler Corp. | Aug. | 2.42 | 2.39 | 2.16 |
| 11 | 11 | Harry M. Stevens | Dec. | 2.32 | 2.29 | 2.24 |
| 12 | 13 | Daka | June | 2.11 | 2.03 | 2.12 |
| 13 | 12 | Sportservice | Dec. | 2.10 | 2.05 | 2.03 |
| 14 | 14 | Concession Air | Dec. | 1.96 | 1.92 | 1.90 |

Source: NRN Research

*'We're beginning to put more emphasis on our special markets like correctional feeding and child care,' said Hal Richie, Canteen's vice president of sales and marketing.*

FOCUS | TOP 100

# HOTELS PLAY MATCHMAKERS

*Facing sluggish occupancy rates, lodging chains are striving to fill their restaurants with national promotions pairing foods and wines*

By Alan Liddle

Faced with yet another year of little, if any, growth in occupancy rates, several Top 100 hotel chains are nevertheless excited about the prospect of boosting revenues and profitability with national and regional food-and-beverage promotions.

Though some restaurant chains have been marrying foods and wines or liqueurs for a number of years, often with financial assistance from suppliers, the pairings are new to many in the hotel food-and-beverage business.

"This was the Year of the Promotion," Robert J. Lansdell, senior vice president of food and beverage for Ramada Inns, declares after his chain's first attempt at teaming food and wine in its 30 corporate-owned properties.

The result of Phoenix, Ariz.-based Ramada's decision to jointly promote strawberry desserts with a giant winemaker's new varietal product was a 35-percent hike in dessert sales, Lansdell notes.

Ramada is in the middle of its second national food and beverage promotion. It is planning its third, which will hawk pork dishes and Champagne cocktails, and, says Lansdell, "has three or four more on the back burner."

Marriott Hotels & Resorts of Bethesda, Md., Hyatt Hotels of Chicago, and Westin Hotels & Resorts of Seattle are also fielding their first-ever large-scale food and beverage promotions during the past year.

On the producer side, California wineries and winemakers have been particularly active in such joint marketing programs with hotels.

Other strategies to increase the performance of food and beverage departments recently mentioned by Top 100 chain executives included operations-oriented back-to-basics campaigns; increased marketing to children; and the creation of room-service pizza programs that resemble chain delivery operation, such as Domino's.

Most of the full-service operators in the Top 100 also say they will continue developing less-formal international, ethnic, and regional American concepts to compete better with nearby freestanding restaurants. Spanish, Mexican, and Southwest-American Indian concepts are among the newest to pop up in hotels, which are increasingly replacing traditional coffee shops with specialty operations, such as Italian cafes, French-style bistros, and seafood houses.

But of all the developments, the trend toward national and regional food and beverage promotions seems to most excite hotel officials.

The reasons for their enthusiasm are clear: The limited-time events have the potential to generate increased interest and sales in long-established food and beverage outlets but are relatively inexpensive compared with renovations or new construction.

Many producers and suppliers help lower the tab for promotions by picking up a good portion or the full cost of producing promotional materials or by providing price breaks for large orders; some do both.

The promotions also facilitate the testing of new menu items and new concepts, and they can improve employee morale by breaking up numbing routines or by incorporating sales contests.

The traffic boosters are gaining favor at a time of sluggish gains in room occupancy rates, which are generally regarded as a crucial measure of the lodging industry's health.

"Over the past four quarters, occupancy rates for the publicly traded companies have increased only slightly (.7 percent) vs. year-ago levels . . . a trend we expect to continue for the balance of 1989 and 1990," Montgomery Securities lodging analyst Michael Mueller notes in a recent report.

Mueller says the overall occupancy rate for publicly traded hotel companies ran about 70 percent in 1988, a decline of about 6 percent from the 1978 level.

John Havron, Marriott Corp.'s vice president of marketing for hotel food and beverage, says his chain began national food promotions about two years ago but only added the beverage component during the past year.

Marriott's 125 domestic company-owned full-service properties recently completed a promotion called "From Sea to Shining Sea," which combined regional seafood specialties with a California winemaker's line. The special menu used for the promotion included descriptions of the various wines offered and suggested which would go best with specific seafood items. All the wines were available by the glass.

Newspaper advertisements and in-house graphics heralded the limited-time offering.

**Guests at Stouffer Tower City Plaza Hotel in downtown Cleveland, Ohio, enjoy tableside cooking at one of the restaurants in the hotel.**

"We found that we did [attract] additional local business . . . and that we did a better job of capturing in-house guests," Havron says of the benefits of the promotion.

Explaining one reason why the food and beverage pairings work, Havron remarks, "Many consumers are interested in wine but don't want to order a bottle."

Hyatt officials say the chain's recent "Pasta, Pesto, Primavera" Italian food and beverage "festival" drew residents from the communities surrounding the company's 90-plus North American properties. More important, however, the promotion improved the bottom line by increasing the mix of higher-profit beverage sales by 3 percent, according to Bryan Gerrish, Hyatt's director of food and beverage.

"This was the first time we did a nationwide, corporate-driven festival," Gerrish explains. "We will [now] be doing two to three of these a year."

Westin Hotels & Resorts, which recently regrouped its 35 or so domestic properties into four regions, earlier this year staged its first mandatory regional food and wine promotion.

The Western Region promotion featured California wines and foods prepared from recipes by John Ash, a well-known eclectic California chef. To generate a little excitement for the promotion, Ash, who makes appearances on behalf of the winery working with Westin, showed up as a "visiting chef" at each of the participating properties.

According to Kurt Fischer, Westin's corporate director of food and beverage, "We saw quite an increase in covers during this period." Though he describes food and beverage promotions as a "marketing tool," the Westin official emphasizes that they can "increase profits."

In light of increasing governmental restrictions on alcoholic beverage promotions, an offshoot of the mid-1980s movement to ban "Happy Hours," Fischer says Westin will "come on relatively strong in the area

*(See **HOTEL**, page F76)*

## HOTEL CHAINS RANKED BY SYSTEMWIDE SALES

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Systemwide Sales (by fiscal year in millions) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Marriott Hotels & Resorts | Dec. | $1,144.5 | $1,021.4 | $ 890.1 |
| 2 | 2 | Sheraton Hotels | Dec. | 1,065.8 | 1,005.0 | 1,021.3 |
| 3 | 3 | Hilton Hotels | Dec. | 862.3 | 838.2 | 833.8 |
| 4 | 4 | Holiday Inn | Dec. | 669.2 | 686.3 | 700.1 |
| 5 | 5 | Ramada Inn | Dec. | 329.6 | 314.4 | 303.3 |
| 6 | 7 | Hyatt Hotels | Jan. | 311.1 | 282.1 | 259.4 |
| 7 | 6 | Westin Hotels & Resorts | Dec. | 302.4 | 285.6 | 271.5 |
| 8 | 8 | Radisson Hotels | Dec. | 265.0 | 216.5 | 169.4 |
| | | TOTAL: | | $4,949.9 | $4,649.5 | $4,448.9 |

Source: NRN Research

## HOTEL CHAINS RANKED BY MARKET SHARE

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Market Share 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Marriott Hotels & Resorts | Dec. | 23.12% | 21.97% | 20.01% |
| 2 | 2 | Sheraton Hotels | Dec. | 21.53 | 21.62 | 22.96 |
| 3 | 3 | Hilton Hotels | Dec. | 17.42 | 18.03 | 18.74 |
| 4 | 4 | Holiday Inn | Dec. | 13.52 | 14.76 | 15.74 |
| 5 | 5 | Ramada Inn | Dec. | 6.66 | 6.76 | 6.82 |
| 6 | 7 | Hyatt Hotels | Jan. | 6.28 | 6.07 | 5.83 |
| 7 | 6 | Westin Hotels & Resorts | Dec. | 6.11 | 6.14 | 6.10 |
| 8 | 8 | Radisson Hotels | Dec. | 5.35 | 4.66 | 3.81 |

Source: NRN Research

# FOCUS | TOP 100

# QUESTIONS & ANSWERS ON TOP 100

*Publication of the Top 100 issue usually tests the durability of NRN's switchboard by drawing a flood of inquiries about the rankings and how they were drafted. What follows are answers to some of the most frequently asked questions.*

**Q: Why wasn't my chain or company included in the listings?**
A: Unless a chain generated at least $179 million in domestic systemwide sales, it will not appear on any of the Top 100 Chains listings. Similarly, a company had to generate at least $38.8 million in food-service revenues — not total intake — to appear on the Top 100 Companies ranking.

**Q: But my chain has more units than some of the chains included on the Top 100 ranking by number of units. Why wasn't it included on that list?**
A: Only the Top 100 chains, as ranked by systemwide sales, are ranked by such other criteria as number of units and sales per unit. In other words, the universe for those rankings is limited to those chains that appear on Top 100 Chains By Systemwide Sales ranking.

**Q: My chain's per-unit sales average exceeds my competitors' averages, yet you listed them on segment rankings and omitted us. Shouldn't we be on those rankings?**
A: Here again, only those chains appearing on the Top 100 Chains ranking are included in the segment breakouts.

**Q: My chain appears on every other industry sales rankings. How could it qualify for those and yet not make your list?**
A: Each ranking uses different criteria. We believe that the Top 100 is the industry's most reliable listing because of our rigid adherence to strict standards.

**Q: My company's revenues far exceed the tally for many of the chains on the Top 100 Companies ranking, and yet you omitted my concern. Why?**
A: Companies were included on the Top 100 Companies list because of their food-service revenues, not their total revenues. Proceeds from all other types of businesses — including distribution operations — were excluded from the figures.

**Q: My chain's domestic systemwide sales are indeed higher than the totals for other chains on the Top 100 Chains ranking. Why wasn't it included?**
A: Perhaps it should have been. We might have overlooked it during our research, or might have underestimated your growth in our projections for the coming year.

In any case, please help us avoid our mistake next year by providing us with the name and address of someone we can contact for information. Because the preparation of next year's Top 100 section will begin soon, please promptly send the information to Top 100 Editor, Nation's Restaurant News, 425 Park Avenue, New York, N.Y. 10022.

**Q: How do systemwide sales differ from revenues?**
A: Systemwide sales consist of the intake of every company-operated and franchised outlet within a chain or multi-unit operation such as a contract feeder. Revenues are limited to the intake of company-run units and franchise royalty fees; excluded are the intake of franchised stores.

For example, the intake of every McDonald's unit in the United States constitutes that chain's systemwide sales. But revenues for McDonald's Corp. are limited to the intake of company units and franchise royalties.

**Q: What is reflected in the share-of-market figures?**
A: Within our context, "share of market" means "share of the Top 100 totals." In other words, if a chain has a 3 percent share of market, that system accounted for 3 percent of the systemwide-sales total for all chains included in the Top 100 ranking. It does not mean that the chain garnered 3 percent of total industry sales.

In the segment charts, which look at a particular market battle, the share-of-market chart lists major players' proportion of the sales generated by Top 100 chains competing within that sector. For instance, McDonald's 46.54-percent share of the hamburger market means that the chain captured 46.54 percent of all dollars generated by Top 100 hamburger chains. It does not mean that McDonald's snared that proportion of the total hamburger market.

**Q: Where can I write to air comments and criticisms of the Top 100 rankings?**
A: Address correspondence to Top 100 Editor, Nation's Restaurant News, 425 Park Avenue, New York, N.Y. 10022.

# HAMBURGER CHAINS

*(Continued from page F36)*
Castle says it would use its newly developed prototype mobile unit at fairs and other large outdoor events.

**Technology cuts labor, improves service**

Regional labor shortages, high turnover, escalating labor costs, and an intense interest in improving quality, consistency, and speed of service are spurring fast-food operators to invest heavily in the development of technology and automation.

Atlanta-based Arby's, for example, is creating a prototype unit that relies on robots for much of its production and preparation. If all goes as planned, the unit will debut this year, the company says.

And a McDonald's unit in Rosemount, Minn., employs a robot named ARCH — short for Automated Restaurant Crew Helper — that not only handles all the restaurant's deep-frying chores but also tells its human co-workers when to prepare sandwich buns, when supplies of raw materials are running low, and even when the last batch of fries is three minutes from being too old to sell.

Rocky Mount, N.C.-based Hardee's, which introduced a fully automatic soda-dispensing system last year, says it expects to roll out the labor-saving and portion-controlling system this year.

And Wendy's, whose strategy includes building its take-out business, is installing crew headsets to improve speed and order accuracy.

Certainly, high-tech breakthroughs are not limited to the back of the house.

McDonald's, Burger King, and Arby's are testing a $25,000 touch-screen computer that allows customers to order their own meals. The system is said to cut service time by half a minute and boost sales per cashier by 10 percent to 20 percent.

And many of the top chains accept credit cards at selected units.

Arby's, for instance, is testing the Discover Card in 50 locations in Pittsburgh, Pa., and Youngstown, Ohio.

In previous trials using the Visa card, credit-card transactions accounted for about 3 percent of sales, and the average credit card purchase — $5 to $6 — was almost double the average cash transaction, $2.80, Arby's indicates.

And by eliminating the manual imprinting of sales slips, quickly processing credit-card authorizations, and automatically printing receipts, Arby's computerized system cuts transaction time to 10 to 20 seconds, the company says.

**New products aimed at broadening customer bases**

New long- and short-term products are key to operators' plans for increasing unit volumes this year.

While many new menu items are designed to appeal to the health-conscious consumer, others are positioned to build the traditionally weaker dinner and breakfast dayparts or to take advantage of the trend toward take-out business.

Most burger chains are raiding the hen house for chicken items that provide health-conscious consumers with a fast-food alternative to red meat.

In order to capitalize on the growing popularity of chicken:

- McDonald's rolled out its long-awaited McChicken sandwich — its first new product introduction since prepackaged salads in 1987 — to domestic restaurants in May.
- Burger King recently launched a promotion, still in place in many stores, which features three versions of the chain's chicken sandwich.
- Jack in the Box introduced a grilled chicken-fillet sandwich systemwide in February.
- Hardee's earlier this year introduced a grilled chicken sandwich to two-thirds of its units and plans to have the product in all stores by year's end.
- Arby's recently made its new chicken club sandwich mandatory in all stores and is testing other versions and a children's chicken nugget item.
- And Wendy's is developing a

*(See **HAMBURGERS**, page F64)*

**Capitalizing on Americans' growing taste for chicken, Jack in the Box restaurants have introduced the Grilled Chicken Fillet sandwich.**

# FOCUS | TOP 100

## HAMBURGER CHAINS

*(Continued from page F61)*
number of new chicken products, including a grilled-chicken sandwich, taco chicken for its hot food bar, a chicken salad, and home-style fried chicken.

In addition to bolstering their chicken offerings, burger and sandwich chain operators are attempting to combat the perception that fast food is unhealthy by reformulating some products and cooking processes.

In order to lower the fat and cholesterol content of their products, for example, several chains — including Arby's, Hardee's, and Carl's Jr. — have switched to vegetable oil for frying.

Industry watchers and chain insiders expect McDonald's next new systemwide introduction will be McPizza, which is in test in several markets and is intended to buoy the chain's dinner business.

"Obviously, we have a lot of growth opportunity yet in our dinner business," says Edward H. Rensi, chief operations officer of McDonald's, "and pizza would be a keystone of that opportunity."

Krystal, on the other hand, is concentrating on its breakfast traffic.

The company indicates it will complete the rollout of its Sunriser breakfast sandwich, which is in half its system, by early next year.

The sandwich, which sports a square egg, sausage, and cheese on a Krystal bun, has boosted breakfast sales by 25 percent, Murphy says.

Wendy's is also diving back into the breakfast business, which flopped for the company a few years back, with a number of egg and breakfast meat combinations served on a biscuit or English muffin.

And the chain is expanding its Superbar program — intended to increase dinner and weekend traffic — with tests of tortellini, ravioli, taco chicken, and home-style dinner items for the hot bar and trials of four new salads — tuna, seafood, chicken, and ham — in the cold section.

Through renewed promotion of its Express Pack — a quarter-pound burger, fries, and soft drink — Wendy's also hopes to generate additional drive-thru and take-out sales.

Meanwhile, new products in Arby's 1989 lineup include a Sub Deluxe sandwich and a deluxe version of its country-fried steak sandwich.

**International operations increase**

For many chains overseas operations are providing new avenues for growth.

Last year fully 33 percent of McDonald's total revenues were generated by foreign operations, up 27 percent from the 1987 figure. And foreign units contributed 29 percent of the chain's total operating income, up 34 percent from the 1987 figure.

McDonald's domestic units averaged sales of $1.6 million in 1988, but of the 22 units whose sales exceeded $5 million last year, fully 20 were outside the United States.

Over the last five years, foreign operations' portion of total sales increased to 29 percent from 19 percent. And foreign units grew to 25 percent of systemwide restaurants from 21 percent.

This year McDonald's will open its first unit in the Soviet Union and — reflecting its new concentration on international markets — will open the system's 11,000th unit in Hong Kong.

Arby's, too, is pursuing growth opportunities outside the United States, including Canada, the Pacific Basin, Northern Europe, and Asia.

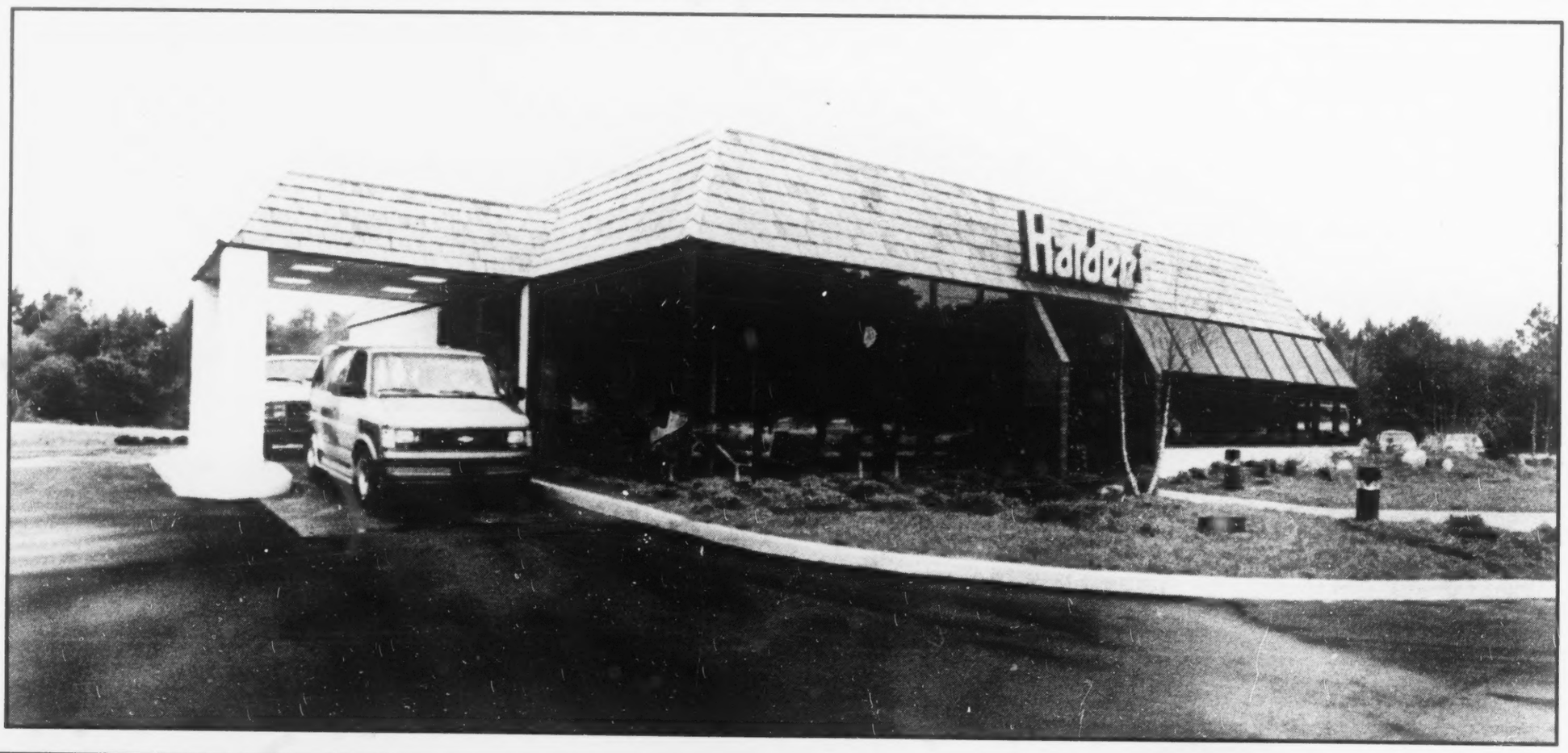
"By the end of 1992," says Arby's executive vice president of franchising and development, Russ Cooper, "we're predicting 3,000 restaurants in our system. International growth will become increasingly important to our expansion plans."

More than 30 new international Arby's units are scheduled to open in 1989 — 20 of them in Canada and Japan.

Since 1984 the number of Arby's international units has grown to an estimated 130 this year from 30.

And White Castle, with six Japanese units, is expanding its international presence with a licensing agreement in Malaysia and expects to open seven units there by fall.

*'Obviously, we have a lot of growth opportunity yet in our dinner business,' said Edward H. Rensi, chief operations officer of McDonald's, 'and pizza would be a keystone of that opportunity.'*




**The exterior of Hardee's new image building features cedar shingles, an atrium, covered drive-thru, and beautiful landscaping.**

**A & W Restaurants new unit design has a clean, crisp, contemporary look that is casual and inviting.**

# FOCUS | TOP 100

## PIZZA CHAINS

*(Continued from page F41)*
consecutive year.

He says the company's marketing style continues to evolve in order to highlight its distinction in the segment.

"Any operator in the segment can't help noticing that 70 percent of the business is taken out or delivered, but I'm not dismayed by that," Frank says. "We feel we have a niche that is unique to us, a family-oriented, fun, and entertaining place. We will continue to capitalize on what we do well without getting into the pizza fray, as I call it.

"We don't deliver; we don't discount. But we do have to evolve the concept."

With a typical unit encompassing 10,000 square feet and more than 300 seats, Showbiz has added a salad bar as one competitive advantage.

Despite sustaining its third consecutive annual sales decline, Godfather's is looking to improve comparable-store sales without tampering with the company's marketing formula. Meanwhile, according to Cain, the chain continues to post higher profits.

Godfather's 1989 systemwide sales are projected to top $236 million, for a 4-percent decline from the year-ago tally. But its sales per unit are expected to increase 6 percent, to $440,000.

Although the company is plodding along with some new proprietary products, Cain says he is not tempted to tinker with Godfather's marketing style the way Pantera's did with Pizza Inn by adding an Italian buffet. In a competitive environment, Cain says, there are some inherent hazards in changing concepts.

"When you go through a repositioning of your concept, you are changing your operations, and that can impact whether or not your margins vary," Cain says. "Usually sales are a good indicator. But in some of my markets, in all honesty, my sales for the last fiscal year are lower than the previous year."

Nevertheless, he continues, "Profitability was up. So when people say sales are up, [because they repositioned], the next question is, Will they stay up? You can always increase sales if you give away margin. But is the trade-off worth it?"

One company that has been basking in the glow of an expanded array of Italian offerings has been Sbarro, perhaps the fastest-growing chain in the segment. The Long Island, N.Y.-based chain retained its rank as the second-highest annual sales-per-unit performer, its third consecutive year in a row. Systemwide sales are expected to top $200 million while its annual store average of $657,00 will be second only to that of Chuck E. Cheese.

But also gaining fast with its young adult orientation and casual-themed decor is Pizzeria Uno, operated by the Uno Corp. of Boston. Company president Craig Miller says he positions his company against Bennigan's, Houlian's, T.G.I. Friday's, and other non-pizza operations, even though 40 percent of Uno's sales come from pizza.

Although its systemwide sales did not make the Top 100, Uno Corp.'s $44.7 million in expected revenues this year made it the 99th-largest restaurant company in the industry.

**A Domino's Pizza employee tests acceptance of the American Express card.**

## CONTRACT FEEDERS

*(Continued from page F57)*
Custom Management as Joe Byrum succeeded president John Metz. Metz, who founded Custom Management in 1967, has left to pursue his own interests through his newly established John Metz Enterprises.

However, Byrum assumes the top post on a high note, as MCM tacked on 30 new feeding accounts to its 800-plus contract portfolio during the first half of 1989.

While Marriott was seeking to sell its In-Flite operation, Dobbs International, the No. 2 airline caterer, was growing at a rate that exceeded 10 percent.

Since Dobbs was acquired by Greyhound Corp. in 1987, it has shaken off the expansion limitations imposed by former parent Carson, Pirie, Scott & Co., a Chicago retailer.

*Concession Air has earned a spot on the list of feeders posting double-digit sales increases in a difficult market.*

Dobbs has exceeded its projected sales budget during the past two years; built three flight kitchens in Atlanta; opened a new facility in Fort Meyers, Fla.; and added three major clients, including Virgin Atlantic Airways and SAS.

"We're also looking toward expansion in the Pacific Rim countries," says George Alvord, director of sales and marketing for Dobbs International. "We've also concluded preliminary negotiations to acquire a small catering company."

Dobbs has also pioneered an employee incentive program that rewards the feeder's 7,000 employees with cash for meeting certain goals based on customer service.

Concession Air, a subsidiary of Buffalo, N.Y.-based Delaware North Cos., has also earned a spot on the list of feeders posting double-digit sales increases in a difficult market.

In San Jose, Calif., Concession Air has added kitchen and food-court facilities featuring both licensed and proprietary brands. A multi-unit food court has been constructed in airports in Newark, N.J., and Boston.

Arlington, Texas-based Sky Chefs acquired several flight kitchens from Dobbs International in the Cleveland and Dallas-Fort Worth airports and for the last three years has headed NRN's Top 100 in terms of average sales per unit.

Stadium and arena food service has become a booming contract-feeding market as professional and minor-league teams proliferate and expand their stadium facilities.

Sportservice, another food-service division of Delaware North, boasts 13 professional sports-feeding contracts and has placed bids for planned facilities in Orlando, Fla.; Charlotte, N.C.; and Phoenix, Ariz.

"We're also exploring major-league baseball's spring training market in Arizona and Florida," says Michael Thompson, president of the food-services group for Delaware North. "When the major leagues are finished with their spring schedule, the minor-league teams remain for the duration of the season."

Ogden Corp.'s Leisure Services Division operates six professional basketball arenas, five National Football League stadiums, and two major-league baseball parks.

### CONTRACT FEEDER CHAINS RANKED BY NUMBER OF UNITS

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | ARA Services (ARA SERV) | Sept. | 2,500 | 2,180 | 1,850 |
| 2 | 2 | Marriott Food Services Management | Dec. | 2,005 | 1,957 | 1,896 |
| 3 | 3 | Canteen | Dec. | 1,836 | 1,800 | 1,774 |
| 4 | 4 | Service America | March | 1,700 | 1,360 | 1,088 |
| 5 | 5 | Morrison Custom Management | May | 890 | 802 | 680 |
| 6 | 6 | Seiler Corp. | Aug. | 540 | 530 | 400 |
| 7 | 7 | Dobbs International/Dobbs Houses | Dec. | 408 | 396 | 377 |
| 8 | 8 | Daka | June | 400 | 355 | 319 |
| 9 | 9 | Marriott In-Flite/Host | Dec. | 202 | 198 | 194 |
| 10 | 10 | Sportservice | Dec. | 69 | 67 | 61 |
| 11 | 11 | Ogden Allied Leisure Services | Dec. | 67 | 63 | 59 |
| 12 | 12 | Concession Air | Dec. | 45 | 45 | 40 |
| 13 | 13 | Harry M. Stevens | Dec. | 40 | 38 | 38 |
| 14 | 14 | Sky Chefs | Dec. | 35 | 35 | 34 |
| | | TOTAL: | | 10,737 | 9,826 | 8,810 |

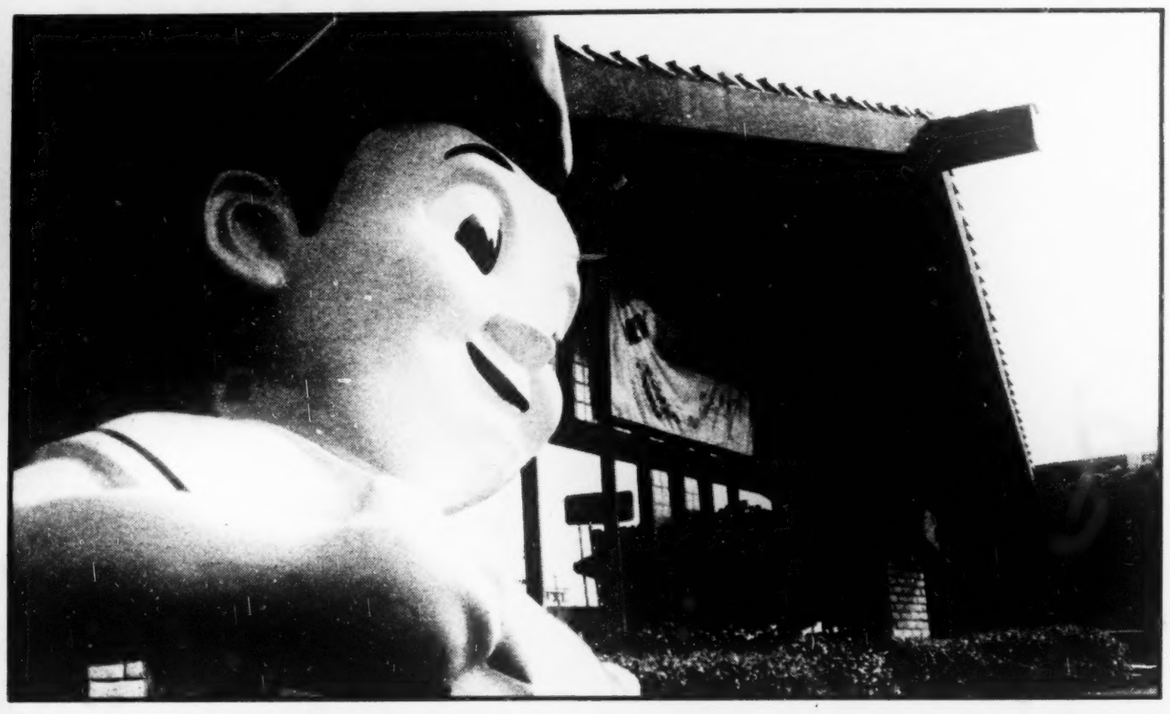
Source: NRN Research

### CONTRACT FEEDER CHAINS RANKED BY SALES PER UNIT

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Sky Chefs | Dec. | $11,542.0 | $10,177.0 | $9,810.0 |
| 2 | 2 | Marriott In-Flite/Host | Dec. | 5,010.0 | 5,353.0 | 5,082.0 |
| 3 | 3 | Concession Air | Dec. | 4,340.0 | 4,000.0 | 4,075.0 |
| 4 | 4 | Ogden Allied Leisure Services | Dec. | 3,880.0 | 3,825.0 | 3,559.0 |
| 5 | 5 | Sportservice | Dec. | 3,030.0 | 2,880.0 | 2,850.0 |
| 6 | 6 | Dobbs International/ Dobbs Houses | Dec. | 1,238.0 | 1,170.0 | 1,190.0 |
| 7 | 7 | Marriott Food Services Management | Dec. | 1,167.0 | 1,080.0 | 1,006.0 |
| 8 | 8 | Canteen | Dec. | 899.2 | 887.2 | 831.5 |
| 9 | 9 | Service America | March | 611.0 | 760.0 | 934.0 |
| 10 | 11 | Harry M. Stevens | Dec. | 577.5 | 566.0 | 505.0 |
| 11 | 10 | ARA Services (ARA SERV) | Sept. | 542.8 | 578.4 | 618.9 |
| 12 | 12 | Daka | June | 525.0 | 538.0 | 571.0 |
| 13 | 13 | Seiler Corp. | Aug. | 442.2 | 424.0 | 462.5 |
| 14 | 14 | Morrison Custom Management | May | 349.0 | 332.0 | 245.0 |
| | | AVERAGE: | | $ 2,439.6 | $ 2,326.5 | $2,267.1 |

Source: NRN Research

# FOCUS | TOP 100



A Big Boy statue stands guard outside a unit.

## FAMILY RESTAURANT CHAINS RANKED BY NUMBER OF UNITS

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Denny's | Dec. | 1,300 | 1,100 | 1,000 |
| 2 | 2 | Big Boy | Dec. | 1,030 | 1,030 | 960 |
| 3 | 3 | Friendly | Dec. | 848 | 840 | 842 |
| 4 | 4 | Shoney's | Oct. | 704 | 636 | 604 |
| 5 | 5 | Waffle House | June | 600 | 600 | 650 |
| 6 | 6 | International House of Pancakes | Dec. | 456 | 436 | 436 |
| 7 | 7 | Perkins | Dec. | 370 | 341 | 334 |
| 8 | 8 | Village Inn | Oct. | 249 | 256 | 276 |
| 9 | 9 | Howard Johnson | April | 230 | 230 | 255 |
| 10 | 10 | Bob Evans Farms | April | 222 | 201 | 175 |
| 11 | 11 | Marie Callender's | Dec. | 155 | 149 | 135 |
| 12 | 12 | Bakers Square | Oct. | 155 | 145 | 138 |
| | | TOTAL: | | 6,319 | 5,964 | 5,805 |

Source: NRN Research

## FAMILY RESTAURANT CHAINS RANKED BY SALES PER UNIT

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year, in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Marie Callender's | Dec. | $1,800.0 | $1,610.0 | $1,588.0 |
| 2 | 3 | Shoney's | Oct. | 1,430.0 | 1,371.0 | 1,361.0 |
| 3 | 2 | Bob Evans Farms | April | 1,395.0 | 1,400.0 | 1,370.0 |
| 4 | 4 | Bakers Square | Oct. | 1,380.0 | 1,294.0 | 1,225.0 |
| 5 | 5 | Perkins | Dec. | 1,304.0 | 1,230.0 | 1,119.0 |
| 6 | 7 | Denny's | Dec. | 1,105.0 | 1,090.0 | 1,059.0 |
| 7 | 6 | Big Boy | Dec. | 1,100.0 | 1,100.0 | 1,070.0 |
| 8 | 8 | Village Inn | Oct. | 990.0 | 917.0 | 874.0 |
| 9 | 9 | Howard Johnson | April | 800.0 | 795.0 | 750.0 |
| 10 | 11 | International House of Pancakes | Dec. | 713.0 | 668.0 | 639.0 |
| 11 | 10 | Friendly | Dec. | 700.0 | 685.0 | 683.0 |
| 12 | 12 | Waffle House | June | 366.0 | 350.0 | 303.0 |
| | | TOTAL: | | $1,090.3 | $1,042.5 | $1,003.4 |

Source: NRN Research

# FAMILY CHAINS

(Continued from page F54)

Smith.

According to one industry sage, a chain's ability to make headway in the midscale segment could hinge on its skills at playing follow-the-leader — if the segment leader itself is playing from a position of strength. "Clearly, the two biggest factors in the marketplace are what happens to Denny's and what Marriott winds up doing with Allie's," asserts Barry Krantz, family-restaurant president for Irvine, Calif.-based Restaurant Enterprises Group, parent of the Coco's and Carrow's chains.

Krantz, the former senior vice president of marketing and concept development for 1,300-unit Denny's, believes his old employer has the potential to awaken consumer interest in the low-priced end of the full-service spectrum if the chain's new owners — or next owners — adequately fund its marketing efforts.

Denny's "could be the power boat that creates a wake big enough for everyone to ride behind," says Krantz, citing the demonstrable ability of a chain's well-mounted food promotions to spur sales of similar menu items at competing outfits.

Might such a phenomenon of marketing cross-pollenation lead to advertising co-ops being formed by rival coffee-shop systems? "I have talked to Denny's about sharing research," the Coco's leader remarked.

Marriott, which divorced itself from the Big Boy franchise system and has been converting its Bob's Big Boy units to the new Allie's concept, may also hold a key to the future of family restaurants. However, analytical competitors say Allie's, whose best-selling menu item is an all-you-want food bar, is so far unprofitable for Marriott because of high advertising expenditures in its initial San Diego conversion market.

Still, well-to-do Marriott conceivably could "buy market share at a loss for the next three to five years" while converting its swelling, nationwide inventory of family-restaurant sites to Allie's, Krantz suggests. Such a maneuver, characteristic of Japanese business but virtually unprecedented in American food service, could evolve from Marriott's self-imposed subsidization of Allie's and eventually lead it to market-share dominance, economies of scale, and price-cutting leverage.

"Marriott, if it chooses to expand Allie's, is going to get a lot of customers [from competing chains]; that's a potential threat," Krantz adds.

"I don't know if [Allie's] will hurt us at all, but that remains to be seen," says Sue Henderson of Denny's, remarking that Marriott's chain, with its food-bar focus, "is targeting a Sizzler-type customer, not a Denny's type."

When not forecasting the long-range competitive dynamics of the midscale marketplace, chains in the segment focus on such immediate concerns as improvements to their images, food quality, and service. "I think service is going to be the key issue of the future," says Vincent Kikugawa, president of the Marie Callender's chain.

Kikugawa intends to make servers' jobs easier and decrease the risk of inconsistent food by "streamlining" a new Marie Callender's menu, due out in October. With about 75 dishes currently available, "we've got too many items," he says. "We're probably going to streamline that down to 45 or 50 that we do extremely well."

GDR/CREST is advising his family-segment clients to "examine every single item on the menu and throw out every one that doesn't stand up to quality claims," Rice says. "Certain family-style restaurants have items on their menus with no right to be there," says Rice, who recently advised a client to jettison and reformulate the majority of its dishes, including an "awful" roast-beef item that management regarded as an obligatory offering.

Rice recommends smaller portion sizes of higher quality with "greater taste sensation" as the route to customer satisfaction and repeat business.

"The battle of the 1990s will be based 20 percent on who can refine their concept the best and 80 percent on who can execute the best," avers Coco's president Krantz, echoing Kikugawa's emphasis on service.

"We have to make it easier rather than harder to give good service," says Krantz. His chain, for its part, has conducted focus groups with its servers, managers, and customers to flush out a list of hidden "barriers" to good service inadvertently posed by corporate operating policies.

"How long it takes to get your meal is not among the top five [complaints] on the list," says Krantz, who notes that improving servers' basic attitude toward doing their jobs is a crucial aspect of service improvement.

At IHOP Corp., parent of the International House of Pancakes chain, restaurant remodeling has become an area of particular emphasis, reports chairman Richard Herzer. But pleasing restaurant customers with a spiffier ambience may be less important than creating an environment that will inspire servers to do their jobs better. "It's all in the unit level, period," Herzer says. "Too many people in the business today think it's the grand corporate scheme that will make the difference," he remarks. "But our retail sales improve as we improve our execution at the unit level."

A Bob Evans unit.

# FOCUS | TOP 100

## HOTEL CHAINS FIGHTING BACK

*(Continued from page F59)*
of food and wine combinations."

Speaking of Westin's previous attitude to such promotions, Fischer explains, "We were flexible in the past, suggesting that certain promotions should take place, but we never took the approach that all hotels had to take part."

But Westin and the other new converts are beginning to see the benefits of large-scale participation in promotions, which often prompt suppliers or producers to throw in the assistance and marketing clout of outside specialists, such as chef Ash. Also a benefit is the lower per-property costs for producing promotional materials, such as posters, table tents, special menus, and uniforms.

If individual Radisson properties tried to create the quality and quantity of promotional materials used for national promotions on their own, they would spend $2,500 to $5,000 each, Don Clawson, the chain's vice president of food and beverage, estimates.

"If I do it, it costs only $200 to $250 per property," Clawson says.

Clawson explains that Radisson, which has been doing national food and beverage promotions regularly since about 1985, doesn't see much in the way of traffic gains when it runs such a promotion. However, he adds, the strategy does generally result in higher average tickets because of increased consumer interest and lower food costs because of higher markups.

"So if I am gaining top line and bottom line, . . . the return on investment vs. the cost of the promotion is very healthy," Clawson says, beaming.

Despite the beneficial nature of national promotions, Clawson notes Radisson will be cutting back on the number of such events it stages annually.

"We've been doing them so aggressively that there is a bit of burn-out among the people at some of the properties," he acknowledges.

On a more positive note, Clawson reports that the recent "realignment" of Radisson's room-service pizza program has resulted in a "phenomenal" incremental sales increase of 33 percent.

The realignment has taken place at about half of the chain's 110 domestic hotels during the past five months and entails repackaging the room-service pizza program to look as if a free-standing pizza chain supplied them.

Hilton Hotels, which is sticking by its practice of calling a spade a spade or, in this case, a room-service pizza a room-service pizza, is continuing its intense focus on "basics," Peter Kleiser, senior vice president of food and beverage, says.

"We have instituted a corporatewide recipe program to ensure consistency and quality," Kleiser explains, adding, "We have placed a [renewed] emphasis on training . . . and introduced 14 new training videos."

Hilton's back-to-basics campaign stems from the distractions felt by all food-service operators in recent years, Kleiser asserts.

"One trend and fad was chasing the other," he says. "We went through an era of fads. Tasty foods and good service is our priority."

A similar campaign two years ago aimed at the room-service side of Hilton's food and beverage program netted "increased covers," Kleiser notes. Winning that new business, he says, required taking such steps as providing newspapers and flowers on the trays, using only fresh-brewed coffee and fresh-squeezed orange juice, and buying new equipment to better prepare and hold foods.

Holiday Inn, which franchises about 1,250 hotels and operates 120 corporate-owned properties domestically, is also in the midst of a back-to-basics kick. The campaign is being overseen by the Memphis, Tenn.-based chain's new vice president of food and beverage, Bruce McGlinchey, who formerly worked for General Mills' restaurant division and was at one time executive vice president of the Po' Folks country-style restaurant chain.

McGlinchey says that while consumer research shows that guests are "happy with the food" at Holiday Inns, the chain nevertheless feels it needs to set new standards for food quality and preparation, speed of service, productivity, and scheduling.

The restaurant and room service menus at the corporate-owned hotels will be checked on a site-by-site basis and adjusted to make sure "we have the things that guests want . . . from a 'Middle American' all-day family restaurant," McGlinchey says.

What's more, "we have a new thing we are going to do — we are going to make some money," he says of his ambitions to fatten the margins at company-owned hotels by increasing value and traffic.

Some Sheraton properties and Hyatt, as a chain, have increased their marketing aimed at children, who, some marketing mavens believe, greatly influence parents' selection of lodging brands and dining spots.

Hyatt recently began a "Camp Hyatt" program of summer-camp-like activities and implemented a corporate policy of letting children less than 12 order half-portions, for half price, of any item on any menu.

The Seattle Sheraton catches the attention of youngsters and their parents by conducting children's cooking classes, complete with back-of-the-house tours and special luncheons, company officials say.

### HOTEL CHAINS RANKED BY NUMBER OF UNITS

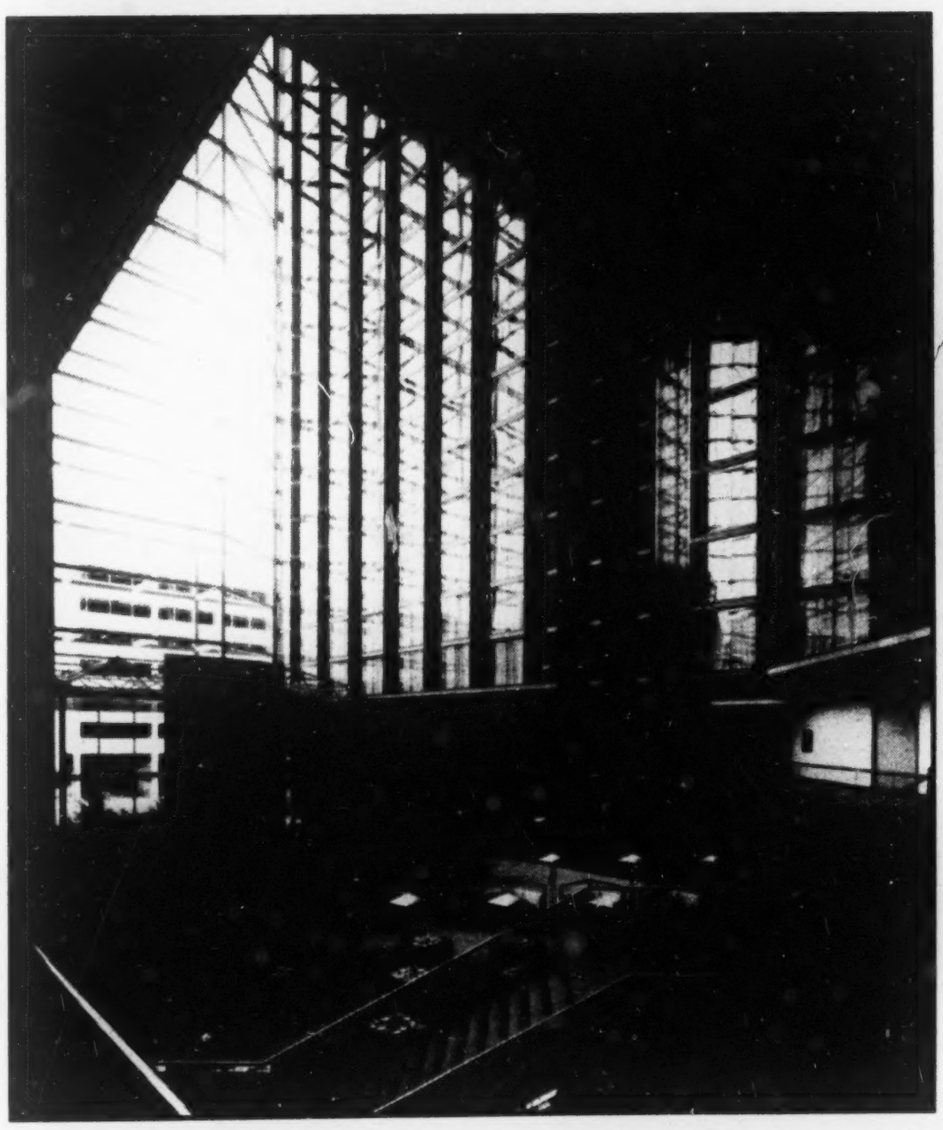
| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Holiday Inn | Dec. | 1,479 | 1,526 | 1,486 |
| 2 | 3 | Marriott Hotels & Resorts | Dec. | 528 | 437 | 349 |
| 3 | 2 | Ramada Inn | Dec. | 507 | 501 | 494 |
| 4 | 4 | Sheraton Hotels | Dec. | 356 | 339 | 353 |
| 5 | 5 | Hilton Hotels | Dec. | 278 | 272 | 274 |
| 6 | 6 | Radisson Hotels | Dec. | 156 | 122 | 91 |
| 7 | 7 | Hyatt Hotels | Jan. | 93 | 86 | 74 |
| 8 | 8 | Westin Hotels & Resorts | Dec. | 36 | 34 | 31 |
| | | TOTAL: | | 3,433 | 3,317 | 3,152 |

Source: NRN Research

### HOTEL CHAINS RANKED BY SALES PER UNIT

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Westin Hotels & Resorts | Dec. | $8,400.0 | $8,400.0 | $8,760.0 |
| 2 | 2 | Hyatt Hotels | Jan. | 3,350.0 | 3,280.0 | 3,510.0 |
| 3 | 3 | Hilton Hotels | Dec. | 3,100.0 | 3,080.0 | 3,040.0 |
| 4 | 4 | Sheraton Hotels | Dec. | 2,990.0 | 2,960.0 | 2,890.0 |
| 5 | 5 | Marriott Hotels & Resorts | Dec. | 2,170.0 | 2,340.0 | 2,550.0 |
| 6 | 6 | Radisson Hotels | Dec. | 1,700.0 | 1,770.0 | 1,860.0 |
| 7 | 7 | Ramada Inn | Dec. | 650.2 | 627.5 | 613.9 |
| 8 | 8 | Holiday Inn | Dec. | 452.5 | 449.7 | 477.2 |
| | | AVERAGE: | | $2,851.8 | $2,863.4 | $2,982.6 |

Source: NRN Research



A view of the Atrium Cafe in the Radisson Plaza Hotel At Austin Centre, which is located in Austin, Texas.

Hotel patrons enjoy some champagne in the Stouffer Concourse Hotel's Lobby Court Bar, which features live piano entertainment, located at Los Angeles International Airport.

# FOCUS | TOP 100

## CAFETERIA CHAINS

*(Continued from page F46)*
us, and that's who we'll dance with."

**Morrison's: eyeing the airwaves**

In a departure from standard operating procedure, Morrison Inc. plans to step up its marketing-research and advertising budgets for its family dining units, says Richard McGeoch, senior vice president for corporate planning and investor relations for the company.

"Cafeterias by nature are not heavy advertisers," he explains. "Generally they just don't have enough locations in any area to justify a TV budget."

But, McGeoch says, Morrison has targeted several TV markets and is looking into radio and newspaper in others.

"It's the best way to reach a younger market," he notes. "We want the 30-to45-year-olds who dine out the most frequently." He says the average heavy user of a Morrison's was "a little older than that."

The company has hired a new agency, Eric Erickson out of Nashville, Tenn., to coordinate its efforts.

"We're not like a fast-food chain," he says. "We don't have to live off advertising; we can build extra customers. If we could add 2 or 3 percent to each unit, it would flow directly to the bottom line."

The 169-unit family dining division reported systemwide sales of $320 million in fiscal 1989 (which ended May 31, 1989), roughly 42 percent of the total sales for Morrison Inc., which also operates 80 Ruby Tuesday dinner houses, 20 L & N Seafood Grills, six Silver Spoon Cafes, and nearly 900 contract feeding accounts.

The family dining division opened seven cafeterias during the year and closed one. It has plans to add a minimum of six more during this year, McGeoch says.

McGeoch says that expansion in fiscal 1990 would be mostly in markets where Morrison already has a presence, but that the company hopes to go north someday.

"We'll figure a way," he explains, "one way or the other. There is such a mass of people of the Eastern Seaboard, even if we had to charge a little higher prices, it would still be a great price value.

"But people in the North are not familiar with a cafeteria concept. Southerners are a more patient people, and standing in line is not a major issue like it is in the North.

"Still," he says, "there is no quicker, less expensive way to serve quality food than a cafeteria."

McGeoch notes Morrison raised prices twice during fiscal 1989, increasing them 2 percent in September 1988 and again in April 1989.

Not to be left out, Mobile, Ala.-based Morrison has also jumped on the cafeteria take-out bandwagon, adding separate entrances for take-out in some units as well as operating a free-standing, takeout-only store in Atlanta.

"Our units with take-out have a much greater volume than those without," McGeoch says. "An average unit with take-out will have a volume $350,000 higher than one without. And most of that is incremental sales; all we add are servers and a line runner."

McGeoch says the company hopes to build two to four freestanding take-out units during fiscal 1990 but plans to add some indoor seating to the design. Each take-out unit features five entrées, five vegetables, five salads, breads, and desserts on a rotating basis.

**Piccadilly: doubling up**

Executives at Piccadilly Cafeterias Inc. spent fiscal 1989 bringing on cafeterias with two serving lines rather than one. Seven of Piccadilly's 10 new units this year were of the double-line variety.

"The double line allows us to feed twice as many people in the same amount of time," says James Malmberg, president of the Baton Rouge, La.-based company.

Malmberg notes the company got away from the double-line design about two years ago but is placing it in most new units.

The chain, which has plans to open 10 cafeterias in fiscal 1990 after opening 10 in fiscal 1989, is expanding into markets where the cafeteria already has a presence. Five of the 10 are scheduled for Florida, Malmberg says, and the company continues to look at California for future expansion.

"We have plans to open a unit in Bakersfield in 1991," he says, "but we're continuing to look for additional locations. We could easily go to Los Angeles or Sacramento."

While sales and profits were up at Piccadilly this year, Malmberg customer counts remained relatively flat. Prices at the 138-unit chain were raised a couple of times, most recently by 4 percent.

When asked about the cafeteria segment's latest push into take-out, Malmberg says the chain has some new ideas on the drawing board.

"We've always had a very large take-out business," he says, adding that there were possible changes in the works for new units. "Whether you can generate incremental business over what you already have is the fundadmental question."

Malmberg says Piccadilly hopes to open its first Ralph & Kacoo's sometime next spring, after taking a year to assimilate the six-unit, high-volume Cajun seafood chain into its system.

"We want to work up to where we can operate the same number of restaurants as we do cafeterias," he says. "In the meantime we have to build a personnel base and evaluate manager training systems."

**Wyatt: life after ESOP**

"We were sold to an ESOP," says George DeShazo, executive vice president of operations for 121-unit Wyatt Cafeterias Inc. "That's the most exciting thing that's happened to us this year."

The employee stock ownership plan was approved by Wyatt shareholders last fall after directors of Wyatt, which has annual sales of about $180 million, proposed selling the privately held Dallas-based company to employees for about $84 a share. A takeover battle ensued as Lubbock investor Michael Levenson, who controls Furr's/Bishop's Cafeterias, made several separate bids, eventually offering $91 a share. Shareholders preferred the ESOP.

In Wyatt's leveraged ESOP plan, the company set up a trust for the employees and then lent it the money to purchase all of the company's stock. Through operating profits, the company makes contributions to the ESOP. The ESOP, in turn, uses the contribution to repay the loans incurred. As the loans are repaid, the stock that was held as collateral is released and allocated to employee accounts.

"We've been doing everything we can do to communicate to the employees and the customers the advantages of this," DeShazo says. "It takes more time to do that than we thought."

Expansion at Wyatt's has slowed because of the diverted energies, DeShazo says, but the company will soon open its first new unit of the year near Mesquite, Texas. He notes that the real-estate department has been active and the company hopes to open four or more new cafeterias in the year to come.

"We're expanding in our present markets, and we're looking at areas outside Los Angeles," he says, pointing to the success of units in Bakersfield and San Bernadino, Calif. "You don't have the competition out there you do in Texas."

DeShazo says expanding in the Lone Star State was treacherous, citing a survey that showed Texas having three times as many cafeterias as the second-ranked state, Florida, has.

"You tend to cannibalize yourself," he says. "There was a time we felt cafeterias couldn't be 5 miles apart, then we narrowed it to 3. Today in Dallas, there are two Wyatt's and a Luby's within a mile of each other."

DeShazo says the company raised menu prices 3 percent on May 1, the first time in four years that a price change had arisen out of food costs.

"Before it was primarily because of fixed costs, things like insurance, taxes, utilities, and mall maintenance fees," he notes. "Food had been the best bargain in the country except for the past few months."

And as with the other cafeteria chains, DeShazo says Wyatt will concentrate heavily on take-out in the upcoming months. The company currently operates one store in Fort Worth and two in Dallas with take-out counters with separate entrances.

"We're converting as many as we can," he says.

DeShazo notes the company also has plans to open a drive-thru unit during the next year.

"You got to do what the competition is making you do," he adds. "And with convenience stores getting into food service so much, you've got to make it fast.

"The key to anybody's success is whether you can change with the trends."

**Customers wait on line for food at a Wyatt Cafeteria.**

**CAFETERIA CHAINS RANKED BY SALES PER UNIT**

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Sales Per Unit (by fiscal year in thousands) 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Luby's Cafeteria | Aug. | $2,395.0 | $2,345.0 | $2,384.0 |
| 2 | 2 | Piccadilly Cafeterias | June | 1,985.0 | 1,949.0 | 1,933.0 |
| 3 | 3 | Morrison's Family Dining | May | 1,900.0 | 1,870.0 | 1,820.0 |
| 4 | 4 | Furr's/Bishop's Cafeterias | Dec. | 1,800.0 | 1,764.7 | 1,695.3 |
| 5 | 5 | Wyatt Cafeterias | Dec. | 1,500.0 | 1,500.0 | 1,500.0 |
| | | AVERAGE: | | $1,916.0 | $1,885.7 | $1,866.5 |

Source: NRN Research

**CAFETERIA CHAINS RANKED BY NUMBER OF UNITS**

| Rank 1989 | Rank 1988 | Chain | Fiscal Year Ends | Number of Units 1989 | 1988 | 1987 |
|---|---|---|---|---|---|---|
| 1 | 1 | Morrison's Family Dining | May | 170 | 163 | 156 |
| 2 | 2 | Furr's/Bishop's Cafeterias | Dec. | 160 | 157 | 154 |
| 3 | 3 | Piccadilly Cafeterias | June | 138 | 123 | 116 |
| 4 | 5 | Luby's Cafeteria | Aug. | 124 | 113 | 103 |
| 5 | 4 | Wyatt Cafeterias | Dec. | 121 | 120 | 119 |
| | | TOTAL: | | 713 | 676 | 648 |

Source: NRN Research

# FOCUS | TOP 100

## TOP 100

*(Continued from page 1)*

ed to inch upward this year by less than 1 percent. "Most of our sales increases have come from new units."

Yet seven chains among the Top 100 are forgoing growth during their current fiscal year presumably to focus on bolstering traffic at existing units. Eleven others are retrenching in the face of fierce competition.

Nevertheless, the Top 100 chains will collectively grow by a net of 6,123 units, for a 5.8-percent increase over the 1988 tally. The current-year figure does not include expansion overseas, where many of the chain behemoths are opening restaurants at a head-turning clip.

"We're going to continue to see the 80/20 rule: 20 percent of the chains will account for 80 percent of the growth," comments Technomic's Paul.

The Top 100 report verifies that the food-service business is rapidly consolidating. In 1987 the 100 highest-grossing chains generated aggregate systemwide sales of $69.4 billion, or 33.3 percent of what Technomic recorded as total U.S. food-service sales. NRN's elite group increased its share to 34.3 percent last year and is projected to account for approximately 36 percent in 1989.

To be sure, not every member of the exclusive Top 100 chains has faltered in '89. "It's very tough out there," says Paul, "but there are some bright spots."

For instance, dinner houses, a group that stumbled in the mid-1980s, seem to have hit their stride. The 11 chains scoring in the Top 100 are collectively boosting their systemwide sales by 11.3 percent this year, compared with 1988's increase of 7.7 percent.

Systemwide sales growth is also accelerating for top family restaurant chains (6.9 percent this year, compared with less than 1 percent in '88), hotel chains (6.5 percent vs. 4.5 percent), cafeteria chains (9.9 percent vs. 5.5 percent), and hamburger chains (7.9 percent vs. 6.8 percent).

And, notes Paul, "we've not seen the last of new fast-growing concepts."

Such is the case with Olive Garden, General Mills' upstart Italian dinner-house operation. The chain ranked 64th on the Top 100 systemwide sales ranking, for a quantum leap from its 99th-place finish in '88. The ethnic chain tops the list of the fastest-growing systems, with an expansion rate clocked at 56.5 percent.

Other rapid gainers on the systemwide-sales list include TCBY, with a leap of 22 places, to No. 63, and El Pollo Loco, which jumped 13 rungs, to No. 85. Chili's hoisted its position by 10 notches, to No. 55.

In addition to ranking chains by systemwide sales, NRN's Top 100 rates companies on the basis of food-service revenues. The chain figures reflect the performance of every domestic restaurant within the systems cited. In contrast, the revenue charts list the intakes of franchisors, franchisees, and other individual corporate entities.

It's not surprising that the data show that revenue growth is also slowing. The nation's 100 leading food-service operators are projected to collectively garner $52.8 billion during their respective 1989 fiscal years, for a year-over-year gain of 9.5 percent. That increase marks a slowdown from '88, when the tally of $48.2 billion outstripped the prior year's figure by 12.6 percent.

What's more, 10 of the Top 100 companies are projected to post revenue declines for their 1989 fiscal year. Among the losers are Rax, a Midwestern burger chain struggling to plot a turnaround under new president Ira Hermann; Collins Foods, a major Kentucky Fried Chicken franchisee that has long been a Wall Street darling; Metromedia, the parent company of Ponderosa; and S & A Restaurant Corp., the dinner-house operator that was recently acquired by its management.

### 10 BIGGEST DECLINES IN PER-UNIT SALES

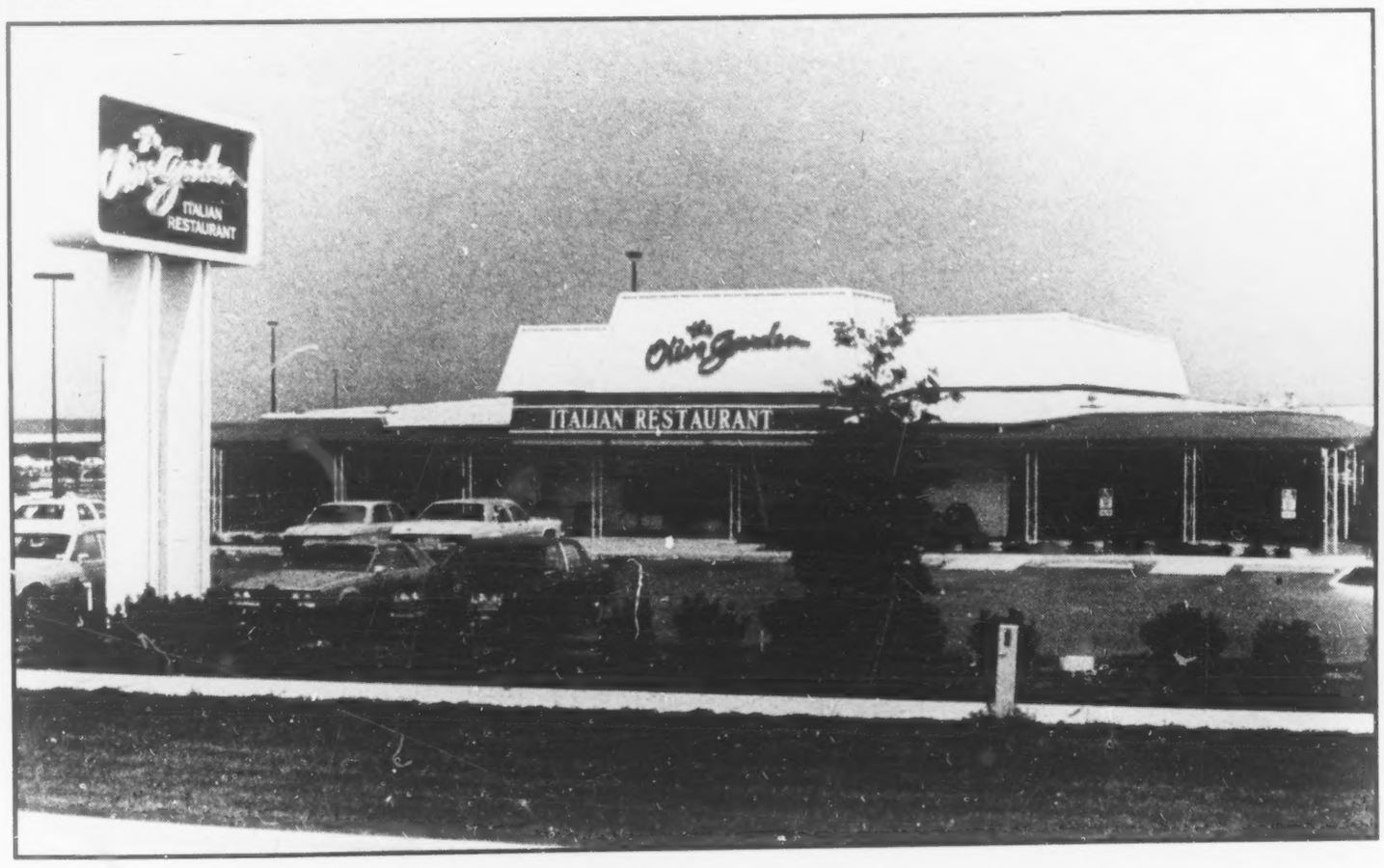
**(Ranked by % of change in unit sales)**

| Rank | Chains | Fiscal Year Ends | % chg., '89 vs. '88 |
|---|---|---|---|
| 1 | Service America | March | –19.61% |
| 2 | Marriott Travel Plazas | Dec. | –13.29 |
| 3 | Popeye's | Oct. | –13.10 |
| 4 | Rax | July | –10.01 |
| 5 | Church's | Dec. | – 7.33 |
| 6 | Marriott Hotels & Resorts | Dec. | – 7.26 |
| 7 | Marriott In–Flite/Host | Dec. | – 6.41 |
| 8 | ARA Services (ARASERVE) | Sept. | – 6.54 |
| 9 | Bennigan's | May | – 4.55 |
| 10 | Radisson Hotels | Dec. | – 3.95 |

Source: NRN Research

**A Chili's unit in Dallas.**

**A Rax Restaurants unit.**




**An Olive Garden Italian dinner-house unit.**

**A Ponderosa Steakhouse unit.**

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**FOCUS**

***Adventures in La-La Land***

Focus section follows page 36

**EQUIPMENT**

***Pots and pans essentia... to a successful kitchen***

Patt Patterson/Page 20

**EDITOR'S CORNER**

***...menace***

Charles Bernstein/Page F3

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# Domino's launches safety ads

**By Bill Carlino**

ANN ARBOR, Mich. — In an effort to weather the typhoon of driving-negligence charges sparked by more than 20 delivery-related deaths, Domino's pizza has rolled out a massive ad campaign asserting that the company is committed to safe driving.

Slated to appear in selected insurance, food-service, and police trade publications and on 21 million Domino's pizza box tops, the print ads are actually a signed statement from Domino's president, Dave Black.

In the ad he states that road safety has always been the first concern of the chain's nearly 80,000 drivers.

"One of the things we hope to clear up is public perception of the 30-minute delivery service," said Ron Hingst, a spokesman for Domino's. "Things like drivers attempting to deliver five to six pizzas within the 30-minute limit and paying the $3 refund out of their own pocket. These

*(See **DOMINO'S**, page 85)*

NRN Photo

**David Houle, left, and Dee DeCarlo, owners of Bella Luna in Chicago, one of the many area restaurants forced to close.**

# Chicago operators fight seasonal dip

## *Change menus, add take-out in effort to boost sales*

**By Carolyn Walkup**

CHICAGO — White-tablecloth restaurants in the western reaches of downtown are struggling to hold on in the face of little dinner business, high rents, and competition from restaurants in livelier evening locations.

The most recent restaurant to close in the area, Bella Luna, took in less money in May and June than in the traditionally slow month of January, according to David Houle, who operated the favorably reviewed regional Italian restaurant for nine months with his wife, Dee DeCarlo.

Other operators or managers who admitted to slow dinner business include Michael Lieberman of Michael Stuart's, Robert Vorachek of Zinc's, Rick Cohler of Red Kerr's, and Nancy Sage of Sage's on LaSalle.

Lieberman said competition from the many new restaurants in River North, a neighborhood that benefits from nightclubs, comedy clubs, and art galleries, has hurt downtown operators even though diners do not have to wait for tables at Michael Stuart's, as they do elsewhere.

"We have free dinner parking; we've lowered our prices and lightened sauces. We cater to our customers; we try harder," said Lieberman, whose 3-year-old contemporary American restaurant fills at lunch with financial district middle- and upper-income customers.

"I am scared to death; I am not a Levy or a Melman," he said, referring to Chicago res-

*(See **CHICAGO**, page 85)*

**FOOD WATCH**

## *Sfuzzi salutes pizza's creator*

DALLAS — Sfuzzi Restaurants, in a special salute to Raffaele Esposito, the creator of the modern pizza, are holding a pizza festival through Sept. 4.

Sfuzzi Dallas, Houston, and New York will offer five special pizzas as well as suggestions for complementary wines.

The Queen Margherita pizza ($13) features Roma tomatoes, sweet basil leaves, and fresh Mozzarella. The recommended wine is a 1988 Terre di Tufo, Teruzzi & Puthod ($36).

Forest mushrooms,

*(See **FOOD WATCH**, page 85)*

# Operators feel new tax bite

## *US revives forgotten levy*

**By Alan Liddle**

WASHINGTON — Restaurateurs nationwide, who government officials concede might not have known of their liability, are being shocked and angered by stern notices they owe back federal taxes with penalties and interest.

The unexpected tax bills are exceeding $2,000 per unit in some cases, restaurateurs and National Restaurant Association officials indicated.

NRA officials say thousands of operators have been or could be caught up in the controversy but added that legislative relief might be just weeks away.

"I feel like I live in a Banana Republic, where an unscrupulous dictator has dusted off some obscure tax law so he can sock it to his constituents," veteran Southern California restaurateur John Ricci complained.

At issue is the Special Occupancy Tax, a tariff on retailers and other businesses that sell or use alcohol for commercial purposes.

Congress raised the annual fee in 1987 from a maximum of $54 to $250, which angered people already paying the tax and spurred bureaucrats to seek additional tax targets.

The Bureau of Alcohol, Tobacco & Firearms launched an aggressive campaign to collect the tax after assuming jurisdiction from the Internal Revenue Service in July 1987, and since then has collected $112 million.

"There are a lot of people out there who did not know that they owed the tax," Bureau of Alcohol, Tobacco & Firearms spokesman Dot Koester acknowledged. "But the law reads that we have to collect the tax for past years."

Business owners argue they should not be penalized with fines and interest for being unaware of a tax that the government made little effort to pub-

*(See **TAX**, page 4)*

# Marriott, fast food take to the road

## *National chains hit turnpikes*

**By Bill Carlino**

WASHINGTON — Striving to offer hungry motorists an array of familiar restaurant concepts, Marriott Corp. unveiled plans to feature nine national fast-food chains in the company's travel plaza locations along the Florida Turnpike.

Marriott's eight Florida sites will house up to three national franchises from a list that includes Mrs. Fields Cookies, Nathan's, Popeyes, Dunkin' Donuts, Sbarro, and Burger King.

"We know that branding works," said Francis "Butch" Cash, executive vice president of Marriott Corp. "But as good as Roy Rogers and Big Boy are, clearly, there was a consumer demand for more variety."

Marriott had originally veered from its travel plazas pairing of Roy Rogers and Big Boy in Delaware-and-Maryland-based units along the turnpike system.

In total, Marriott Corp. has more than 100 travel plazas on 14 highway systems.

*(See **MARRIOTT**, page 85)*

MUFSO PANEL TO FOCUS ON FORMULAS FOR SUCCESS — Page 3

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Vol. 23, No. 33

August 14, 1989

# NEWS DIGEST

## Jerrico accepts $620M bid from NY investment group

LEXINGTON, Ky. — Jerrico Inc., operator of the 1,525-unit Long John Silver's seafood chain, has agreed to be acquired for $620 million by an investment group led by DJS-Inverness & Co., the New York concern that arranged the recent buyout of S & A Restaurant Corp.

Jerrico's buyers plan to retain the company's current management, according to Warren Rosenthal, the restaurant operator's chairman. Senior executives will be offered equity in the company to be formed by the acquisition, Rosenthal said.

Also participating in the deal is Castle Harlan Inc., a New York merchant bank that controls a concern called Legend Capital Group L.P. The investment group's $24-per-share cash offer was unanimously endorsed by Jerrico's board.

The definitive purchase agreement was struck at a time when Jerrico's improved financial performance has rekindled Wall Street's interest in the company.

## Burger King picks Sosa for Hispanic ad account

MIAMI — Burger King Corp., which operates the nation's No. 2 fast-food hamburger chain, has tapped San Antonio, Texas-based Sosa & Associates to handle its Hispanic promotion and advertising account.

In a related development, D'Arcy Masius Benton & Bowles/USA, one of Burger King's two domestic agencies, said it has agreed with Sosa to acquire 49 percent of the firm.

Connill Advertising, a subsidiary of Burger King's other domestic agency, Saatchi & Saatchi, was among those passed over for the account.

McDonald's recently pulled its $6 million Hispanic account from Connill, citing conflict of interest.

## El Pollo Asado pins hopes on last-ditch marketing blast

PHOENIX, Ariz. — Cash-strapped El Pollo Asado Inc. said that it will be forced to restructure or discontinue operations if a last-shot marketing plan fails to turn a profit.

The company said it will launch a three-month marketing campaign promoting its nine company-owned and 16 franchised Mexican Cafes, 18 of which were converted from the company's charbroiled chicken concept.

El Pollo Asado said that it is considering various restructuring alternatives, including raising additional capital, and that it has postponed its annual shareholders meeting to reduce costs.

## Rax begins testing of credit cards

COLUMBUS, Ohio — Rax Restaurants Inc., the quick-service sandwich chain based here, is rolling out a 33-store credit card test.

In 32 units here and a single location in Buena Vista, Fla., Rax will be accepting Visa, MasterCard and the Discover Card. A company spokesman said the test will last about three months.

## National Pizza raises stake in Skipper's Inc.

PITTSBURG, Kan. — National Pizza Co. has advised Skipper's Inc. that it intends to propose a friendly acquisition of the seafood chain operator and revealed that it has upped its stake in the company to 9.4 percent.

National — Pizza Hut's largest franchisee — made its first bid for the Bellevue, Wash.-based fast-food seafood chain operator earlier this year. The attempt was thwarted when Skipper's urged its shareholders to hold out for a higher price and Pizza Hut threatened to revoke National's franchise agreement.

An executive at National said Pizza Hut has taken "no exception" to the franchisee's latest efforts.

## Dobbs acquires assets of Chef-Aire caterers

MEMPHIS, Tenn. — Dobbs International Services Inc. said it has agreed to acquire Chef-Aire Airline Caterers Inc., which filed for Chapter 11 protection earlier this year.

Terms were not disclosed.

The acquisition includes in-flight catering kitchens in Albany and Islip, N.Y., and Providence, R.I.

Dobbs, a subsidiary of The Greyhound Corp., is the second largest domestic airline caterer, serving more than 60 scheduled airlines from 48 flight kitchens.

## Wendy's posts flat profits, 2% rise in revenue for 2nd Q

DUBLIN, Ohio — Wendy's International Inc. said price promotions and higher food costs kept its net income flat at $9.6 million, on a 2-percent rise in revenue, to $279.9 million, for the second quarter ended July 2.

The latest quarter includes a gain of $255,000 from the early repayment of debt.

Comparable-store sales were up 4 percent, the company said, as were menu-price hikes. And restaurant margins declined to 9.7 percent of sales, from 13.6 percent last year.

For the first six months, Wendy's operating profits plunged 22 percent, to $10.2 million, despite a 2-percent gain in revenues, to $539.4 million.

But a gain of $5.2 million from an accounting change and a $594,000 gain from early retirement of debt made final net $16 million.

## Shoney's franchisee faces racial bias suit

MEMPHIS, Tenn. — The federal Equal Employment Opportunity Commission has filed suit in U.S. District Court here alleging TPI Restaurants Inc. — the owner of 21 area Shoney's restaurants — engaged in discriminatory hiring practices.

The suit charges the practices date to at least January 1983.

New York-based TPI, which could not be reached for comment, has only owned the restaurants since September, when it acquired previous owner Shoney's South Inc.

The lawsuit alleges that the company failed to hire blacks in customer contact jobs at its units, and that it has continually destroyed employee records.

In April, the NAACP Legal Defense Fund filed a similar suit against TPI's franchisor, Nashville-based Shoney's Inc.

## Forrest City operators face 'hamburger tax'

FORREST CITY, Ark. — Forrest City is levying a 1 percent "hamburger tax" on all restaurants, lodging places and grocery stores that sell freshly prepared foods.

The city, population 13,000, said the estimated $70,000 to $80,000 the tax will generate will be used for advertising and promotion.

## Donatello's Rossi sells Monterey Hotel

MONTEREY, Calif. — Hotelier A. Cal Rossi Jr. has transferred ownership of his financially troubled Monterey Plaza Hotel here to Town Development Co., the U.S. subsidiary of a Japanese development firm, in a deal valued at about $38 million. Town Development's managing partner in the venture is Trusthouse Forte.

The 4-year-old, 291-room Monterey Plaza sits on a Cannery Row property owned by area restaurateurs and businessmen Ted J. Balestreri and Burt Cutino.

About $28 million of the $38 million sale price was applied to a settlement between Rossi and American Savings, a now insolvent savings and loan. The new owners reportedly assumed an additional $10 million of the hotel's debts.

The sale of the hotel leaves Rossi with the Donatello Hotel and award-winning Italian restaurant of that name in San Francisco.

FINANCIAL NEWS

# JB's posts net earnings of $992,000 for 3rd Q

By Rajan Chaudhry

SALT LAKE CITY — Four years after explosive growth plunged JB's Restaurants Inc. into the red and one year after the company's pullout from the Big Boy franchise system, JB's is moving away from price promotions and posting strong same-store sales gains.

For its third quarter ended July 3, JB's reported net income of $992,000, compared with a loss of $815,000 a year ago, on a 13-percent rise in revenues, to $35.2 million.

Last year's loss reflects a one-time charge of $1.6 million for the write-off of license rights resulting from JB's withdrawal from the Big Boy system.

But with food costs moderating, expansion staying slow but steady, and sales trending up, JB's is well positioned for the future, analysts said.

**JB's Restaurants**
Salt Lake City, Utah
**Founded:** 1961
**Number of units:** 118
**1988 revenues:** $99.7 million
**1988 average unit sales:** $899,000
**Chairman and ceo:** Clark D. Jones

"Gradual expansion of its restaurant base will enable JB's to approach full recovery in fiscal '90," predicted analyst Claire Mencke of Value Line.

And the withdrawal from the Big Boy system will save the company $1 million in franchise fees annually and open the door for JB's to franchise its own name, noted Roger Lipton, managing director of Ladenburg, Thalmann & Co.

The company had 118 restaurants in operation at quarter's end, six more than at the end of the prior year quarter, and it plans to add about 10 units a year.

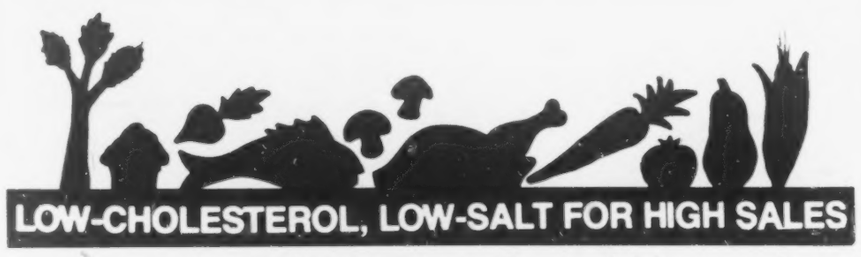
In April JB's raised the price of some menu items and cut back on price promotions to boost margins.

As a result of the higher prices and a 7-percent increase in comparable-store sales, the company's operating income increased 21 percent in the third quarter, it said.

For the first nine months of the year, JB's posted net income of $1.4 million compared with a loss of $390,000 in the same period last year, and sales improved 10 percent, to $82.6 million.

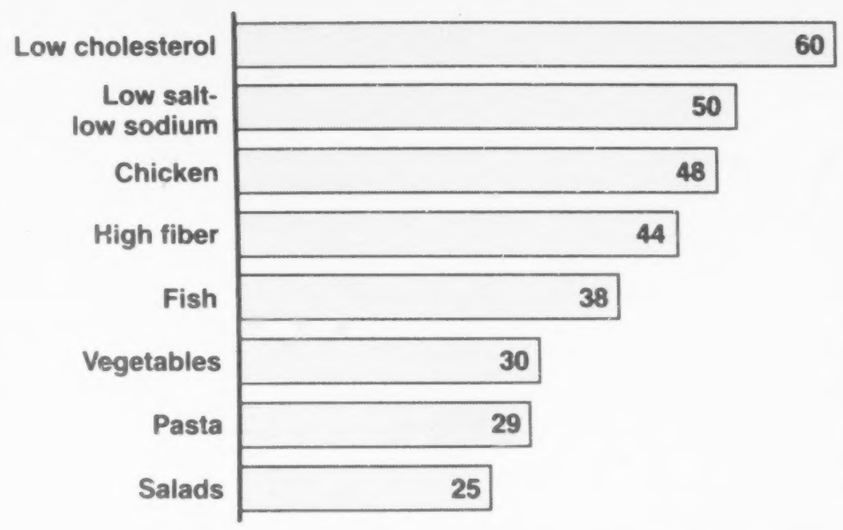
## FACT FILE

*A look at the statistics shaping the industry*



**LOW-CHOLESTEROL, LOW-SALT FOR HIGH SALES**

**(types of food with greatest growth potential, in percent)**




Source: Research Performance Inc., Tarrytown, N.Y., 1989 survey of 300 food-service operators.

# Catch A Rising Star buys NY club

By Rajan Chaudhry

NEW YORK — Catch A Rising Star Inc. said that it has acquired the original Catch a Rising Star club here from its chairman and chief executive, Richard Fields, for 1.25 million common shares — worth about $468,750 — and that it has completed private placements totaling $3 million.

Before the acquisition, the company — which operates seven comedy and music clubs and develops radio, TV, and home video programs — operated the club here under a long-term management contract.

The purchase is subject to the approval of the New York State Liquor Authority and the New York City Alcohol Beverage Control Board.

For the year ended March 31, Catch A Rising Star lost $497,260 on revenue of $3 million. And last year the company lost $1.3 million on revenue of $1.2 million.

The company said it would use the proceeds of its private placements for general working capital, continued expansion of its nightclub operations, and refinancing of short-term debt.

In February the company sold 25 units consisting of 750,000 Class A common shares, 5,000 shares of redeemable preferred stock series C, and certain net profits of TV specials that it developed and owned to Seavest Partners and three affiliated investors for a total of $507,000.

Catch a Rising Star also sold 5 million shares of its class A common stock and 680,000 shares of its class B common stock at a penny per share and 12,500 shares of its series D preferred stock at a price of $100 a share, for a total of $1.3 million, to Puritan Partners, an investor group based here.

As part of its obligation, Puritan Partners provided two secured loans — a $1 million two-year loan and a $250,000 revolving loan, both obtained at prime rate. The company also issued warrants to purchase 500,000 shares of the company's class A common stock.

Puritan Partners will place three members on Catch a Rising Star's board of directors, the company said.

## FOOD PRICE OUTLOOK

# *Green coffee prices remain low*

It hasn't shown up yet in the prices food-service operators pay for **roasted coffee,** but **green-coffee** prices continue at bargain basement levels. The International Coffee Organization failed in its attempt to impose quotas to control prices. That has encouraged some producing countries with large supplies to try to increase their market share. Brazil, Colombia, Mexico, and Indonesia are all selling at low prices here.

But U.S. coffee roasters are buying cautiously. They have good supplies of higher-priced beans, and the heavy coffee season doesn't start for another month or so. When buying starts in earnest, expect green-coffee prices to climb.

Low **apple** prices may move higher. The U.S. Department of Agriculture is buying large quantities of fresh apples for school lunch and other domestic feeding programs. The idea is to reduce the heavy surpluses caused by the recent Alar scare.

**Lettuce** prices have remained higher than normal so far this summer, with demand strong. Truck availabilities have been better than normal this summer, although shortages have occurred from time to time . . . Fresh **broccoli** prices have been trending down as freezers wrap up their packs and fresh demand stagnates during the summer months.

Despite a good **strawberry** crop along California's Central Coast, a frozen-strawberry shortage may be in sight. Fresh market demand has been strong, so prices have ranged above freezers' ceilings. Deliveries to freezers are also down in Washington and Oregon. Combine that with Mexican shipments down a third from last year's, and shortages — with higher prices — may be in sight.

— Patt Patterson

## NRN FINANCIAL DIGEST

### Church's loses $4.5 million

JEFFERSON, La. — Church's Fried Chicken Inc. said the closing of about 200 company stores over the past year resulted in losses of $4.5 million for the quarter ended June 11.

Revenue dipped to $99.4 million from $99.9 million a year ago.

In last year's second quarter, the company posted net income of $2.2 million

Church's losses for the June-ended six months totaled more than $8.4 million on a 1-percent increase in revenue, to $187.6 million.

Church's — which operates and franchises about 1,300 fast-food chicken restaurants — was recently acquired by Alvin Copeland, owner of the Popeyes Famous Fried Chicken chain.

### Skyline Chili to close six units

CINCINNATI — Skyline Chili Inc. said it would close six unprofitable company restaurants at a cost of about $650,000.

Skyline would not reveal the location of the restaurants targeted for closing, except to say all were outside Cincinnati.

Elimination of the cash-draining restaurants should boost operating profits by at least 15 percent, the company said.

The shutterings will trim the number of Skyline's company-operated restaurants to 25. It also has 51 franchised units.

### Furr's/Bishop's boosts earnings 34%

LUBBOCK, Texas — Furr's/Bishop's Cafeterias L.P. squeezed a 34-percent increase in earnings, to $2.7 million, from a 5-percent rise in revenues, to $74.5 million, for its second quarter ended July 1.

The company attributed the gains to higher ticket averages, increased guest traffic, and the addition of two units in the fourth quarter of 1988.

For the July-ended six months, revenues increased 7 percent year over year, to $143.9 million. Earnings were $433,000 compared with a loss of $36,000 in the same period of 1988.

### Ashland buys 66 7-Eleven stores

MINNEAPOLIS — SuperAmerica, the retail gasoline division of Ashland Oil Inc., has bought 66 7-Eleven stores here and in Wisconsin from the Southland Corp.

Terms were not disclosed.

Ashland, Ky.-based SuperAmerica said it would put up its own banner on the stores.

SuperAmerica already owns 73 stores in the Minneapolis-St. Paul area.

# FOCUS | OPINION

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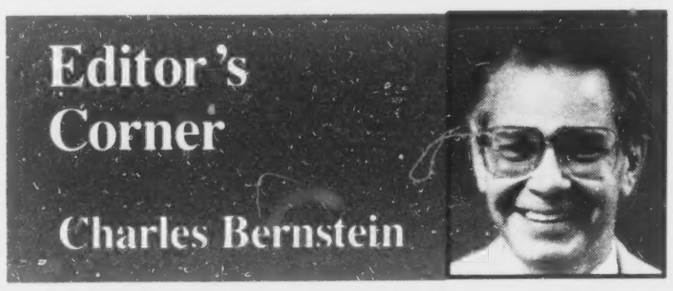
# Conglomerate menace stalks chains

We thought it was a travesty when Asher Edelman acquired Ponderosa in early 1987. For Edelman it simply meant adding another trophy to his house of investments and subsidiaries. For Ponderosa it meant the end of a dream in which president Thomas J. Russo had apparently turned around the previously problem-ridden family steak-house chain.




For Russo it signified an intolerable situation in which his authority and momentum would be undercut by a bottom-line-oriented ownership not interested in strengthening Ponderosa or looking out for the chain's future. So Russo walked away, and eventually he ended up as chief of a major housewares group.

Ponderosa proceeded to drop fast under new management, and after one year Edelman at least partially recouped his investment by selling Ponderosa to Metromedia, led by multi-billionaire tycoon John Kluge. Although he well might give Wal-Mart's Sam Walton a tussle for his title of richest person in America, it is difficult to see how he or Metromedia is qualified to operate Ponderosa.

Kluge had sold Metromedia's radio and television operations to concentrate on telecommunications, robotics printing, and computer software companies as he built an empire of diversified investments.

But who would have imagined the scenario that has unfolded in recent months?

First, Russo was supposedly offered all kinds of inducements to lure him back to Ponderosa, which faltered under management headed by former Pizza Hut franchisee executives.

Russo, who has adjusted to the housewares field but would dearly love to return to food service, rejected the overtures. He simply would not work for Metromedia, a company that did not seem dedicated to anything about food service except profit potential or possible use as a tax-loss writeoff.

Russo was smart to stay away. But to his credit, Kluge remained determined to find new management to replace the team that Edelman had hired.

Enter Michael Jenkins, who left the S & A Restaurant Corp. after rising to chairman, became president of T.G.I. Friday's in late 1986, and resigned a year later to try to acquire S & A or another chain.

Just a few months ago Jenkins was close to finalizing a deal to acquire Michael Grisanti's Italian dinner houses from Imasco, the parent of Hardee's, which had astutely decided it wanted to focus completely on Hardee's. But the Jenkins deal fell through at the last minute when the package price appeared to be more than it was worth.

The next thing we knew, Jenkins resurfaced as the new president of Kluge's Ponderosa. To some observers, that made no sense. But with the type of contract that Jenkins received from Kluge, he could not go very far wrong in the short or long term.

Now we find that, unknown to almost everyone, Kluge is trying to shape his own food-service empire.

When London-based Grand Metropolitan, which acquired Pillsbury and all its properties in January, recently sold its S & A subsidiary, S & A chief executive Donald Slater led a group consummating the leveraged buyout with the help of a New York investment company, DJS-Inverness.

However, it has been discovered that the power behind the deal is none other than Metromedia. Documents obtained by Nation's Restaurant News indicate that Metromedia would buy 15 percent of S & A's common shares and would have a clear option to purchase the other 85 percent from Citibank Ventures Capital, the principal banker in the deal, within three years.

Thus Metromedia and Kluge well might become the major owner of S & A as well as Ponderosa. They would be entitled to control S & A's management and operations under the agreement terms.

This would give Metromedia the wide-segment range of the Ponderosa family steak houses and S & A's Steak & Ale dinner houses. Steak & Ale has tried with extremely mixed results to diversify its menu so that it is not so dependent on steak (a goal that is a non sequitur since by definition the chain's trump card has to be steak). S & A's Bennigan's would be part of the deal, too.

Whether Jenkins knew about this impending deal when he accepted the Ponderosa position and whether he would become a group chief of all the operations is speculative. But the one principle this again dramatizes is the continued menace from the conglomerate and investment mentality that likes to view all food-service operations merely as "in play," be it Kingsbridge Capital trying to pluck off Dunkin' Donuts or Metromedia acquiring Ponderosa and maybe S & A.

They are all so quick to see flashing dollar signs but so reluctant to put any effort into building value and quality, which are so desperately needed in any food-service operation.

## LETTERS

### *Recognition means a lot to 'Educator of Year'*

Editor, NRN:

Just wanted to say thanks for recognizing my Educator of the Year award in your June 5 issue and the photos from my "How to increase food and beverage sales" seminar that you published in your May 28 issue.

I appreciate being recognized in such a fine publication.

**— Jim Sullivan**
*president*
Penguin Productions
Denver

### *Industry problem stems from reality, not image*

Editor, NRN:

In your July 17 Editor's Corner, "Campus nightmare: Industry recruiters," you echo the National Restaurant Association and other industry associations' assertions that "ours is a special world" and that food service suffers from an *image* problem. As one who has worked about every possible job in food service coast-to-coast over the past 30-plus years — from pot washer to gm to consultant to college prof and researcher, etc. — I disagree.

Food service doesn't have nearly the problem attracting people that it does retaining them. Our industry doesn't have an image problem; it has a *reality problem*. The rub isn't that outsiders fail to see golden opportunities; it's that insiders experience junk jobs and abusive management.

There's a growing *in*flux of students enrolling in culinary and hospitality management programs coincidental with the growing *out*flux of previously-committed and highly talented people from food-service *and hotel* companies. This suggests to me that we should focus our sights not so much on "selling the sizzle" as on delivering the steak.

Top-drawer hospitality marketers know that it costs 10 times as much (in advertising and personal selling) to persuade someone to become a first-time customer as it does to persuade that guest (with a great experience) to become a repeat customer. They also know that word-of-mouth (from satisfied customers) is the best advertising they can get, and it's free.

It must be awfully frustrating for some hospitality back-door marketers (recruiters) to try to keep up with their companies' "hole in the bucket." It's getting tougher and tougher to keep 'em coming as fast as they're leaving.

Finally, Mr. Bernstein, fairness, I believe, demands an apology from Nation's Restaurant News. No, not for the parts of your editorial with which I disagree. No, for the headline.

*Nightmare?* If I've implied that all food service jobs are completely junk and all managers totally abusive, clearly I've been excessive. But no farther from the truth than your headline is.

**— Pete Stevens**
East Lansing, Mich.

### *Columns hit bull's-eye on needy, garbage issues*

Editor, NRN:

I want to tell you how *marvelous* two of your more recent columns were (not that all of them aren't wonderful).

I refer to "Stronger effort essential to aid hungry" and the "Garbage crisis: Operators must act now."

Once again, you're right on the money!

**— Maryann L. Brunner**
InterAction
(American Council for Voluntary International Action)
New York

C5150-5

**RESTAURANT SHOW**

***La. showgoers focus on economy***

See story on page 7

**BEER, WINE & SPIRITS**

***Making the wine list user-friendly***

Mort Hochstein/Page 15

**FOOD**

Florence Fabricant/Page 6

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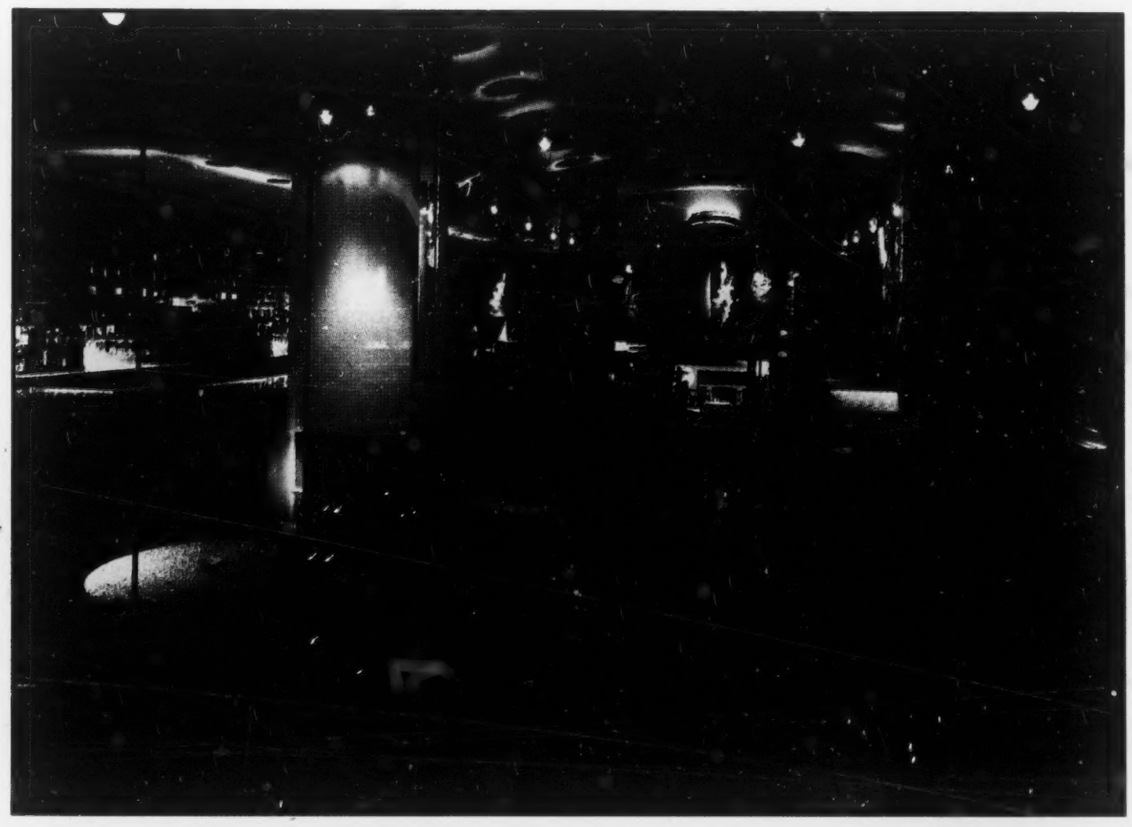

Photo by Dennis Anderson

**The bar at Postrio, designed by Pat Kuleto, demonstrates the ribbon theme that runs through the marble flooring, carpeting, and some fixtures.**

# Informality, 'fun' top restaurant design trends

**By Alan Liddle**

Casual restaurants with a "no-design" look, decors that suggest a business has a "history" of providing good times, and theme restaurants are among the hottest trends in design, experts across the nation indicate.

A number of designers say building "fun" into restaurants is also very much in style as the industry turns the corner and heads into the next decade. Murals, which made their last big sweep through commercial and residential properties in the 1950s, are also appearing in more and more restaurants, designers say.

"We're really trying to keep it informal — those [casual restaurants] are the only things making any money right now," architect Bob Mesher, of Mesher, Shing & Milton in Seattle, reports.

"We're also trying to avoid making everything look like it was designed; the most comfortable places are the ones where you walk in and it looks like it's been there forever," Mesher adds.

Spiros Zakas, of Zakaspace Corp., says, "The biggest [trend] has to be the value-oriented warehouse look with exposed ceilings, cold floors, and [prominent display of] construction

*(See **DESIGN**, page F8)*

# NY investors to acquire Jerrico

## *Castle Harlan forging 'kingdom'*

**By Peter Romeo**

NEW YORK — A little-known holding company here has laid the cornerstone of a new restaurant empire by teaming up with another deep-pocketed investor to buy Jerrico Inc., operator of the Long John Silver's quick-service seafood chain.

Castle Harlan joined forces with DJS-Inverness, an architect of S & A Restaurant Corp.'s recent buyout, to tender a bid of $620 million. The $24.25-per-share cash offer was quickly accepted by Jerrico's board, which has kept other suitors at arm's length.

Castle Harlan has sampled the food-service business through the recent purchase of stakes in Atlanta's Peasant Restaurants and Chicago-based Morton's Steak Houses. Those operations are dwarfed by Lexington, Ky.-based Jerrico, which ranks as the nation's 19th-largest restaurant concern.

Leonard Harlan, president and co-

*(See **JERRICO**, page 59)*

**Jerrico reduces costs, lifts income to 23.5%**

See story page 12

# New Orleans chefs trade hot for healthy

**By Jack Hayes**

NEW ORLEANS — In this Cajun-Creole capital of America — where culinary rules change only once every 100 years or so — it appears the heavy sauces and hot spices are finally going the way of the pirates.

In kitchen after kitchen here, chefs admit they are breaking generations of culture by lightening up their dishes to meet the growing demand for fewer calories, more nutrition, and subtler flavors.

While the change is not a wholesale abandonment of sacred menu cows like eggs sardou, seafood gumbo, an-

*(See **NEW ORLEANS**, page 4)*

**Panelists gear up for MUFSO in New Orleans**

See story page 3

# Scott's to buy Manchu Wok

**By Bill Carlino**

TORONTO — Adding to its considerable restaurant arsenal, Scott's Hospitality Inc. has inked an agreement to acquire Manchu Wok, a quick-service Chinese food chain with 128 restaurants in the United States and Canada.

Terms of the sale were not disclosed. However, Manchu Wok founder Jack Lew said the agreement was contingent on allowing him to remain as president.

"They [Scott's Hospitality] said they would allow me to expand the company the way I feel it should be," Lew said. "In essence, what the sale has done is allow me to concentrate on the development end of the business."

Situated primarily in shopping malls, 67 units of the Manchu Wok chain are based in Canada, while 61 are in the United States. A total of 45 Manchu Wok restaurants are franchised.

Since I started Manchu Wok nine years ago, I was always searching for capital," Lew said. "I realized that it would be hard to get the money necessary for further expansion, so an acquisition made sense. Scott's had the money, and the price was right."

The largest Kentucky Fried Chicken franchisee with 550 units, Toronto-based Scott's Hospitality also operates selected franchises of Wendy's,

*(See **SCOTT'S**, page 59)*

**FOOD WATCH**

## *Puck bans commercial veal*

**WEST HOLLYWOOD, Calif. — Amid growing controversy about purportedly inhumane raising conditions and drug residues, chef-owner Wolfgang Puck has banned commercially raised veal from the menu of his trend-setting Spago restaurant here.**

**Puck still regularly offers specials of veal from a small Virginia farm, whose calves are reared in open stalls, fed whole milk and eggs, and not dosed with antibiotics. Similar methods are used by a few other regional producers, including the Northern California veal source for Puck's San Francisco**

*(See **PUCK**, page 59)*

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# NEWS DIGEST

## Hilton Hotels seeks talks with suitors

BEVERLY HILLS, Calif. — The directors of Hilton Hotels Corp. have instructed executives and financial advisers to contact parties interested in buying the company or its hotel operations.

The sale of Hilton's hotels would limit the company's operations to casino gaming. Ramada Inc. recently divested its hotels, paring back that concern's holdings to a few casinos.

Before the announcement Hilton's stock price had shot upward because of expectations that the company would seek a buyer. A restructuring of some sort had been expected since the company retained investment advisers several months ago.

## Grand Met pays $288M for 3 European chains

LONDON — After thinning its U.S. restaurant holdings, Grand Metropolitan PLC has expanded its European operations by purchasing three food-service chains from United Biscuits for $288 million.

The UB Restaurant group comprises 381-unit Wimpy, which is regarded as Britain's largest string of hamburger restaurants; 131 Pizzaland restaurants; and 130 Perfect Pizza take-out-and-delivery outlets.

Grand Met, which acquired Burger King early this year, said the addition of the chains would facilitate Burger King's European expansion. "The addition of UB Restaurants will provide the extra scale needed for Burger King to become a major force in the important and growing fast-food market in the United Kingdom," said Ian Martin, chief executive of Grand Met's U.S. division."

## Tony May plans transfer of Palio to chef Hellrigl

NEW YORK — Tony May has agreed to transfer ownership of his popular Palio restaurant here to the place's chef, Andrea Hellrigl.

Terms of the agreement were not disclosed.

May said he sought to divest Palio to focus on his other upscale Italian restaurants, which include La Camelia and San Domenico.

## Chicago's 'Fast Eddie' enters food service

CHICAGO — Ed Vrdolyak, colorful ex-alderman and unsuccessful mayoral candidate, has opened Fast Eddie's Saloon in the River North neighborhood with two partners, Marshall and Manny Okmin.

Vrdolyak, a longtime Democrat, switched parties a few years ago to run against Harold Washington, the incumbent mayor and reform-minded Democrat. Vrdolyak is known for his quotable outbursts during city council meetings and behind-the-scenes deal making, which earned him the nickname "Fast Eddie."

His new venture features a large bar, a limited menu, and two brass elephant statues at the entrance. "But they're just pets; they're of no political significance," said Dario Cardella, general manager.

## Reliance sells Days to Tollman-Hundley

ATLANTA — Reliance Group Holdings, an investment company controlled by financier Saul Steinberg, has agreed to sell its 858-unit Days Inn hotel chain for $765 million to Tollman-Hundley, the system's largest franchisee.

Steinberg acquired Days in the early 1980s from the family of chain founder Cecil Day for $275 million. Many of the hotels host coffee-shops operated under the names Daybreak and Tastyworld. At one point Days operated 239 of the food-service outlets.

New York-based Tollman-Hundley owns about 120 hotels, including some 50 Days properties. It has agreed to pay $90 million in cash and assume $675 million in debt.

## *USA Cafes seeks potential buyer for Bonanza*

**By Bill Carlino**

DALLAS — USA Cafes L.P., franchisor of the 600-unit Bonanza family restaurant chain, has confirmed that it is negotiating to sell the company.

An inside source identified a bidder as Metromedia Corp., the New Jersey-based parent company of the 720-unit Ponderosa steak-house chain. However, representatives of both USA Cafes and Metromedia refused comment.

Spearheaded by its billionaire chairman, John Kluge, Metromedia recently negotiated to acquire up to 90 percent of Dallas-based S & A Restaurant Corp., operator of the Bennigan's and Steak & Ale family dinner houses.

USA Cafes confirmed the possibility of a sale following unusually heavy trading of its securities. Sam and Charles Wyly, co-founders of the 25-year-old Bonanza chain, reportedly sparked the sale discussions. Together, the Wyly brothers own 47 percent of USA Cafes' shares.

The sale speculation came days after USA Cafes reported that year-to-year net profits had dipped 20 percent, to $1.7 million, for the second quarter ended June 30. USA Cafes attributed the drop to hikes in general and administrative costs and the company's expanded managerial training programs.

Revenues for the period rose 3 percent, to $6.4 million, and systemwide sales climbed 3 percent, to $151.9 million.

## Popeyes expands test of grilled-chicken cafe

METAIRIE, La. — Super Popeyes, the 6-month-old margarita-and-grilled-chicken experiment of A. Copeland Enterprises, is ready for testing beyond its original site here, according to reports.

Serving grilled-chicken and beef plates, salads, beers, and strawberry daiquiris in addition to fajitas, margaritas, and the regular Popeyes chicken and biscuit menu, Super Popeyes has been called the New Orleans hybrid of La Mirada, Calif.-based El Pollo Loco and Houston-based Two Pesos Mexican Cafes.

Chairman Al Copeland, who also heads Church's Chicken and Copeland's of New Orleans, would not answer the reports, which speculated that at least six more Popeyes stores are set to become grilled-chicken test sites, possibly under a different name.

## McD launches test of McStick in Pa.

PHILADELPHIA — As part of a heightened effort to develop new customer draws, McDonald's has launched tests of McSticks here — individually wrapped carrot and celery sticks.

Nutritional information is printed on the plastic wrappers.

The sales trial was initiated a few weeks after the burger giant began a small-scale test of pizza.

The world's largest restaurant chain has been stung by a sales and profit slowdown. McDonald's has attempted to snap the slump in part by rolling out a McChicken sandwich and launching a "Bounce Back with Mac" coupon sweepstakes game.

## Regner, wine authority, named to Lafayette post

NEW YORK — Noted wine authority Richard Regner has resigned as manager of chef Charles Palmer's Aureole restaurant here to become maître d' at Restaurant Lafayette, a nearby rival housed in The Drake Hotel.

Regner has previously served as wine director at Tavern on the Green, sommelier at the River Cafe in Brooklyn, and assistant wine director at Windows on the World.

FINANCIAL NEWS

# Jerrico reduces costs, lifts income to $23.5M

**By Milford Prewitt**

LEXINGTON, Ky. — A number of cost-cutting measures and the installation of a sophisticated computer network for tracking and controlling restaurant expenditures are helping Jerrico Inc. boost profits.

Jerrico, the 1,525-unit Long John Silver's Seafood Shoppes operator which recently agreed to be acquired by a New York investment group, posted an increase in net income of more than 35 percent, to $23.5 million, on a 4.4-percent boost in annual revenues, to $663 million, for 1989.

The company's efforts to reduce overhead had helped it recapture Wall Street interest before a $620 million buyout deal was struck with a group led by DJS-Inverness & Co. In stock trading the week prior to the announcement, Jerrico closed at $20.12 per share, just a $1 shy of its 52-week high and up $6 from its 52-week low.

"They've been a disappointing company for some time," said Bryan C. Elliott, an Atlanta-based analyst with Robinson Humphrey. "But they look like they are starting to move at long last. They are clearly working to improve profitability and bring it up to where they should be."

In addition to its recent dismissal of 61 persons from its 560-person corporate headquarters staff, Jerrico has implemented a series of programs to improve its operations and profits.

At the top of the list was the installation in June of a sophisticated computer system in each company-owned Long John Silver's restaurant, designed to control and monitor operating costs.

The computer uses management software to calculate on a daily and hourly basis labor and food costs as a percent of sales. Moreover, it monitors the amount of time spent in such labor activities as food preparation, cleaning, maintenance, and service.

**A Long John Silver's Sea Food Shoppes unit.**

Upon conclusion of the work day, unit managers are supplied with a printout detailing the store's actual labor and food costs ratio as a percent of sales, and these figures are compared with an ideal ratio. It behooves unit managers to approximate as closely as possible the ideal operating ratio because bonuses are keyed to their ability to keep food costs and labor in check.

On the marketing side, Jerrico has committed itself to an increase in its advertising budget — largely dedicated to television — to 6 percent of systemwide sales. According to Leslie Steppel, analyst at Prudential-Bache, the increase could mean an annual budget of about $50 million. Already, the company has made a strong effort to market its new "Homestyle Fish," which accounts for 20 percent of unit orders.

Although the company's volume and profits are increasing, Jerrico's staunchest competitor in the segment, the 588-unit Captain D's Restaurant chain, is hot in pursuit.

Captain D's, operated by Shoney's Inc., enjoys the highest annual average unit sales in the segment, $636,000, and one of the highest traffic counts. Analysts expect Long John Silver's traffic volume to remain flat in the short term despite its increasing unit sales.

Howard Hansen, an analyst with Kidder, Peabody, cautiously applauded Jerrico's efforts to reduce its overhead and become a more efficient operator.

"It's a very positive development," Hansen said. "All cost-savings measures are good as long as you don't sacrifice your operations."

Despite last year's drop in the price of cod fish Hansen noted, and a subsequent attempt by Jerrico sought to raise its marketing profile, Captain D's customer counts still outpaced those of Long John Silver's.

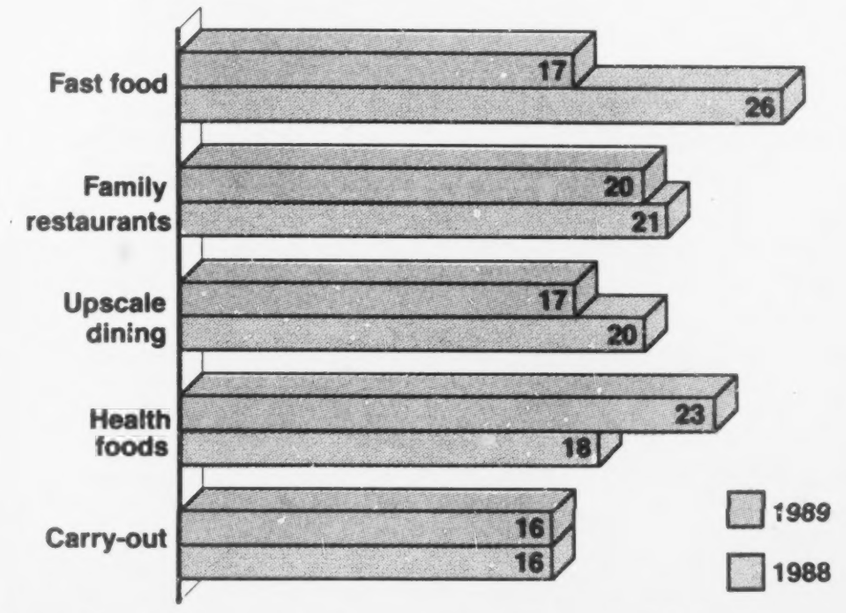
"And Long John Silver's customer counts have been pretty flat since then," Hansen said. "We were hoping what had happened to Captain D's would have occurred at Long John Silver's."

## FACT FILE

*A look at the statistics shaping the industry*

**HEALTH FOOD PROVES UNHEALTHY FOR FAST FOOD**

**(sectors with greatest growth potential, in percent)**




Source: Research Performance Inc., Tarrytown, N.Y., 1989 survey of 300 food-service operators.

## NRN FINANCIAL DIGEST

### Friday's boosts profits 20%

DALLAS — TGI Friday's Inc. said increases in comparable-store sales, labor savings, and interest income helped lift its net income 20 percent, to $3.9 million, despite a 2-percent fall in revenues, to $97.7 million, for the second quarter ended July 3.

The drop in revenue reflects the deferral of operating results from the 25 restaurants the company has identified for disposition through sale or sublease, most of which are being sold to franchisees.

For the first six months, Friday's net income rose 21 percent year over year, to $6.7 million, on a 3-percent decline in revenues, to $191 million.

Comparable store sales for the company's T.G.I. Friday's and Dalts increased 5.8 percent during the latest quarter.

Friday's recently agreed to merge with Minneapolis-based Carlson Hospitality Group, which had already held 80 percent of Friday's stock.

### National Convenience sells 37 stores

HOUSTON — National Convenience Stores said it will sell its Nashville operations, which include 37 operating units, to Mapco Petroleum Inc. for an undisclosed amount of cash.

Proceeds from the sale, expected to close in September, will be used to pay down bank debt, National said.

In order to reduce interest expense, National intends to repay $100 million of debt over the next 12 months through a combination of operating cash flow, asset sales, and sale-leaseback transactions, it said.

### Marriott OKs sale of In-Flite

WASHINGTON — Marriott Corp. said its board has ratified the exchange agreement for the transfer of its airline catering division, Marriott In-Flite Services, to an investment group headed by executives of the division.

Last month Marriott said it had signed a definitive agreement to sell In-Flite to an investor group called Caterair International that includes Daniel Altobello, head of Marriott's airport operations, Frederic Malek, a former Marriott executive, and other officers of the unit.

Analysts value the deal at about $600 million.

### Applebee's to go public

WASHINGTON — Applebee's International Inc., which operates and franchises the Applebee's Neighborhood Grill & Bar chain, said it has filed for an initial public offering of 2.03 million shares of common stock.

The company anticipates an offering price of $10 and $12 per share.

Of the 2.03 million shares, Applebee's is offering 1.4 million and certain stockholders of the company are offering the remaining 630,000 shares.

The company will use its proceeds to repay existing debt and develop new restaurants, according to Securities & Exchange Commission filings.

## FOOD PRICE OUTLOOK

# Lettuce prices continue strong

California **iceberg lettuce** has been holding at prices well above last year at this time, despite acreage running about the same as last year. Observers expected the price to drop when Colorado and New York growers came into the market, but it hasn't happened. Demand has been extremely strong this year and has held up the price.

Prices on California's fresh **strawberries** have been low; the big crunch is in frozen berries. Northwest and California packers didn't get expected deliveries this year, so the pack is sharply down. Mexican imports are running about a third less than last year. The result: distributors are having problems finding frozen berries. Some packers have prorated their customers to as low as 50 percent of usual purchases. Expect prices to climb further.

**Canned pink salmon** will be in short supply again this year, for the third year in a row. Look for higher prices in the fall. On the other hand, the **red salmon** pack is turning out to be a good one and may be as much as four times larger than last year, (which was one of the smallest in the last 10 years). Look for lower prices come fall.

Look for higher **canned tuna** prices. Although the industry was packing at a furious pace the first part of the year, output has slowed and supply-demand forces should advance prices.

**Canned cling peach** prices may lower a little by fall. The California pack is forecast at 12 to 15 percent larger than last year's . . . The U.S. **canned tomato** pack is expected to be up by 32 percent over last year, according to the U.S. Department of Agriculture. All producing states are reporting increases. Expect price decreases . . . **Tomato paste** prices coming down on good pack in California and reports of increased imports.

**— Patt Patterson**

# FOCUS | OPINION

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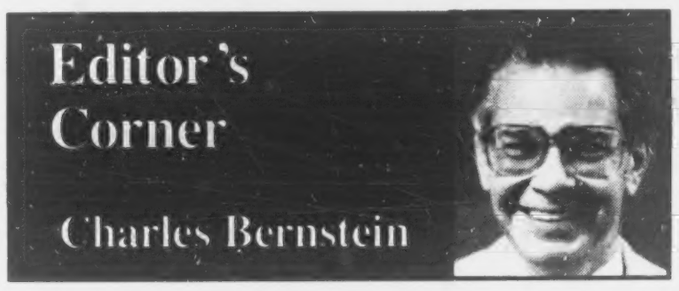
# Pizza may supplant burger as king

When Donald N. Smith joined PepsiCo as president of its restaurants group (Pizza Hut and Taco Bell) a decade ago, he asserted a conviction that some day pizza would surpass burgers as America's most popular dining-out food. This was quite an admission for an executive who had risen to chief operations officer of McDonald's and then was president of Burger King for three years.




It raised eyebrows in the industry, where the belief was almost universal that the burger — entrenched as king for so many years — simply could not be overtaken, even if burgers were slipping a bit. Coincidentally, Smith ended up with Godfather's Pizza as part of his company in a deal that was initiated before he arrived as president of Chart House Inc. and switched the name to Diversifoods.

Today, as chairman of both Perkins Family Restaurants and Friendly Restaurants, Smith is mostly an observer of the burger and pizza wars but no doubt must feel that his prediction of pizza supremacy may be nearing fruition.

The clincher on the possible emergence of pizza as the No. 1 selling item comes from none other than McDonald's itself. Never one to miss an opportunity, McD is rolling out four varieties of pizza pies in a dinnertime test at 15 units in the Evansville, Ind., area. Besides potentially driving up the average ticket by pricing the pizzas from $6 to $10, McD could substantially boost its dinner business. McD knows a popular item when it sees one.

Actually, McD has tested several versions of pizza over the past few years. There can be no question that McD has the capability to produce a quality McPizza, just as it has been so successful with Chicken McNuggets.

Incidentally, chicken is also gaining on the burger although not with the same momentum as pizza.

It is not nearly as tough as some might imagine for McD to get into the business today, with modern ovens and equipment able to produce fresh-cooked pizza within six minutes. While Pizza Hut does not like to call itself fast food, McD would continue to do so.

The ultimate irony is that McD itself could become the driving force for pizza to surpass burgers in the industry. Still, McD is not likely to ever forget its burger origins and the fact that burgers got it where it is today.

Overall, burgers have at least a 3-to-2 sales-ratio lead over pizza. But pizza sales are already growing by 10 percent annually while burgers' rate of increase has slowed to 7 percent. And there actually are more pizza units than burger units.

The Big 3 of pizza are Pizza Hut; Domino's Pizza, the undisputed home delivery champion; and Little Caesar's, the carry-out leader. But there are literally hundreds of other pizza chains, including Godfather's Pizza, Round Table Pizza, Pizza Time Theatre, Noble Roman's, Sbarro, Pantera-Pizza Inn, and Shakey's (which just named Gene Stone president). The latter two companies are suffering but could rebound under new managements.

Profit margins at the stronger pizza chains are well above average as pizza has an excellent cost structure.

Burgers are mostly a chain business, grinding out the numbers. Pizza is far more adaptable to the mom-and-pop operator, who accounts for almost half of the total $20 billion pizza volume today. These smaller operators, with annual unit volumes in the $100,000 to $300,000 range, are likely to become even more important factors. Regional pizza chains, possessing intensive marketing clout, also loom as formidable.

With the couch-potato syndrome and people growing far more comfortable simply ordering in, pizza has another advantage as an ideal take-out and home-delivery item. Pizza also has been able to project a healthier image than burgers, and that is a crucial factor to many customers.

Since these are key trends for the 1990s, it would not be a total shock if pizza indeed does overtake burgers as America's most popular food.

Where youngsters once were brought up on burgers, pizza seems to be taking over that role in a cultural transformation. While the burger is indeed still the king, pizza is the queen and is bidding to take over the king's role.

Donald N. Smith's crystal ball of a decade ago may have been more perceptive than people realize — even if it still may take another decade before pizza truly becomes No. 1.

## LETTERS

### *Domino's stands behind its driving-safety rules*

Editor, NRN,

We obviously read with great interest your Editor's Corner column, "Safety first: Slow the pizza delivery pace."

We don't recall anyone from your publication checking with us on this issue. Since we are taking most of the criticism, we thought we would respond.

First, one death in our system is one too many. The safety and security of our employees is *the* No. 1 priority. In 1988, our spending on security and safety exceeded our profits.

Our concern with safe driving includes:

- A Motor Vehicle Registration (MVR) check of drivers' licenses.
- A listing of safety rules on the back of pay checks.
- A training program that has been used in conjunction with the National Safety Council, and an updated version of that program that is being put together by top behavioral scientists in the country.
- A toll-free phone number where customers can call if they suspect our drivers are not following the rules of the road.
- Incentive programs for drivers.

We do not condone unsafe driving.

We have been hesitant to get into a statistical discussion with the news media because the numbers tend to get out of context. As mentioned, one death is one too many, and we're going to seek to eliminate that one fatality.

However, we did not have 20 delivery-related fatalities in 1988. In fact, after looking at each case, we've had incidents where our people were the victims of the negligent driving of other persons, as are the 55,000 Americans who are the victims of unsafe driving in the United States each year.

Quite frankly, these incidents had nothing to do with our guarantee. But we are going to seek to eliminate any senseless driving fatality.

Finally, we've read with great interest what our competition thinks about a guarantee. Some claim it's unsafe. Some don't use one.

One question we'd be inclined to ask: "Have those in the pizza delivery business who do not have a guarantee totally eliminated traffic accidents?"

**— Ronald A. Hingst**
*public relations director*
Domino's Pizza
Ann Arbor, Mich.

### *It's a buyer's market: Sellers must stay sharp*

Editor, NRN:

The "Dwyer Business Sales Division" of our company has sold an average of 25 restaurants and bars each year since the mid 1950s. Because of this continuing activity, we are all too aware of the problems involved.

The June 12 Viewpoint article entitled "How to succeed in selling your business" was correct to a point. Where it faltered, however, is in the statement that "for every seller there are about 10 buyers." In fact, today's situation is almost exactly the opposite.

Because there are so many more sellers than there are serious, qualified buyers, buyers have a lot more to choose from before they make a final decision. This "buyer's" market has affected the sale of restaurants in two ways: it is taking far longer to make a sale and achieved prices are considerably lower — down almost 20 percent in the last two years.

Furthermore, the authors are entirely correct when they suggest that the seller "put himself in the shoes of the buyer." However, they fail to address one of the greatest problems in selling restaurants.

With very few exceptions, other businesses are sold on their investment value to the buyer — in other words, how much profit can a business generate for the required investment.

In the past, restaurant buyers were often content to purchase for a price based on a multiple of gross sales. More and more, today's buyer is demanding detailed proof of the business's ability to generate profits.

The best time to begin planning the sale of a business is the day it begins operation. Operators planning to sell at any time in the future should remember that today's buyers will most likely demand accurate, up-to-date books and records and should seriously consider adjusting their bookkeeping to reflect a truer picture.

**— John H. Seidl**
Business Sales Consultants, Inc.
White Plains, N.Y.

C5150-45

**FOCUS**

***Health trend takes center stage***

Focus section follows page 18

**DESIGN & DECOR**

***Innovation doesn't need to be costly***

See story on page F8

**EDITOR'S CORNER**

***Risky goal: 'We'll ...s'***

...n/Page F3

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NRN Photo

**Maggie Benson, left, owner of the new McDonald's hospital unit in Dallas, with Ronald McDonald at the opening.**

# California show goers sing labor crisis blues

## *More woes: health costs, dramshop, drugs*

**By Richard Martin**

LOS ANGELES — When they weren't tasting their way through 1,800 exhibits of food and equipment, California restaurateurs at the giant Western Restaurant Convention here had their appetites dulled by fears about the potential crippling costs of mandatory health benefits, third-party liquor liability, and the war on drugs.

**More on the Calif. show**
See page 7

Warnings about the looming state legislation added to the woes of conventioneers who were already depressed by lackluster sales, manpower scarcity, and dramatic labor-cost inflation caused by California's adoption of a $4.25 minimum wage last year. The wage hike was compounded by the state Supreme Court's rejection of a proposed 75-cents-an-hour tip credit for servers.

Jim Pardini, president of the hosting California Restaurant Association, told a press briefing that sales at the state's restaurants have been stunted in part by consumers' resistance to the menu-price hikes many operators took to help compensate for the 27-percent rise in the bottom-tier wage.

Restaurateurs attending the CRA's annual trade show echoed Pardini's assessment. "Everybody I've talked to is crying the blues," said Al Le-

*(See **CRA**, page 72)*

NRN Photo

**Local food-service operators browse a booth at the CRA show.**

# McD checks in to Dallas hospital

**By Tracey Taylor Woodard**

DALLAS — McDonald's has opened its 14th — and largest — hospital unit in Parkland Memorial Hospital here.

Nestled between the main hospital building and the outpatient clinic, the two-story, 8,700-square-foot building, said to be the state's largest McDonald's, is not visible from the street.

"It's a narrow market," said Larry Marshall, regional vice president of McDonald's Corp. "We don't expect to get

*(See **McD**, page 73)*

**FOOD WATCH**

## *A tropical sweet tooth*

ELK GROVE, Ill. — In an effort to promote its service to Hawaii, United Airlines is featuring a sweet and fruity taste of the tropics on selected flights.

Of the five special lunch and dinner dishes UAL is plating, four use baked chicken legs.

They are served variously with a macadamia-nut or macadamia-and-fruit stuffing, a curry sauce, or a plum sauce topping.

For meat lovers United offers Beef Teriyaki, short ribs flavored with pineapple and coconut.

Special Mai Tai cocktails are priced at $3 each.

Breakfast flights feature pancakes sweetened with papaya, pineapple, banana, cherries, and guava.

**— Rick Telberg**

# NJ operators in the dumps

## *Annual convention ignites anger over garbage rules*

**By Rajan Chaudhry**

EAST RUTHERFORD, N.J. — Restaurant operators at the state association's annual convention here voiced anger and frustration over a growing tangle of solid-waste disposal laws.

Although few argued with the intent of the legislation, attendees said the laws, which vary widely by county, are forcing them to spend more on labor and carting, to waste valuable storage space, and to change the way they buy from manufacturers.

New Jersey Restaurant Association

The garbage crisis, which is becoming an increasingly divisive issue across the nation, emerged as the key topic among the reported 10,000 attendees of the New Jersey Restaurant Association's Restaurant and Hospitality Expo '89 at the Meadowlands.

*(See **NJ OPERATORS**, page 73)*

# Teets set to lead MUFSO panel

**By Charles Bernstein**

NEW ORLEANS — John W. Teets, chairman and chief executive of the Greyhound Corp., will moderate a special leadership panel discussion Monday morning, Sept. 11, at Nation's Restaurant News' 30th annual Multi-Unit Food Service Operators (MUFSO) conference in the New Orleans Hilton.

MUFSO 89

This panel will follow a keynote address by Teets on "A New Kind of Leadership for a New Kind of Decade." That will set the tone for the entire three-day conference themed "Fitness for Success."

The other panelists are Samuel "Sandy" Beall, president of Morrison Inc., Mobile, Ala.; Alvin Copeland, chairman of Popeyes, New Orleans, and Church's, San Antonio; Stephen Elmont, president of Creative Gourmets, Charlestown, Mass.; and Robert Giaimo, president

*(See **MUFSO**, page 73)*

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# NEWS DIGEST

## Ark leases site of DC's Potomac

WASHINGTON — Ark Management, the New York-based operator of several high-volume restaurants along the East Coast, has secured the lease to the site here that formerly housed Potomac, the showcase restaurant that bombed under impresario Warner LeRoy.

Ark hasn't decided which type of restaurant to open at the location, said president Mike Weinstein. "We were able to make a fair deal, and that was our first concern," he said. "Secondarily, we'll decide what concept to put there. We're at that stage now."

LeRoy, the creator of such famous New York restaurants as Maxwell's Plum and Tavern on the Green, opened 1,000-seat Potomac amid much fanfare in 1986 only to close it 15 months later after filing for bankruptcy protection.

## Higby's agrees to purchase by treat specialist Spinner

RANCHO CORDOVA, Calif. — J. Higby's Inc., operator of the 75-unit J. Higby's frozen-yogurt chain, said it has agreed to be acquired by Spinner Corp., a Chino, Calif.-based confectioner.

The parties indicated that Spinner would swap preferred stock for Higby's assets but declined to disclose further details until both companies' directors approve the exact terms.

Spinner is a supplier and retailer of candies and nuts. Its 235 retail outlets include units of Morrow's Nut House, Pacific Nut, and Miss Saylor's Candies.

## Texas lawmakers fail at workers comp deal

AUSTIN, Texas — The special session of the Texas State Legislature has ended with the House and the Senate unable to reach a compromise on a workers compensation bill.

"I think the Dallas newspaper summed it up," said Ritchie Jackson, executive vice president of the Texas Restaurant Association. "Trial lawyers 1, Texans 0."

During the special session the Texas Senate, backed by a trial lawyers group, passed a bill that was modified substantially by the House, but it never got further than that, Jackson said.

"It is such a pocketbook issue," he noted, "that it made it impossible for the Legislature to resolve it in the first session. Continuing grass roots pressure will force its resolution, however."

Another special session is tentatively scheduled for mid-November.

## KFC taps Pizza Hut exec for key marketing post

LOUISVILLE, Ky. — In a push to stoke new fire in its marketing programs, Kentucky Fried Chicken has tapped an accomplished executive from sister division Pizza Hut to head its marketing division.

Bill McDonald, a 10-year Pizza Hut veteran who spent the last four years as vice president of national marketing, has been named KFC's senior vice president of marketing.

He earlier had been director of marketing for Frito Lay, the snack food subsidiary of Pepsico, parent company of both KFC and Pizza Hut.

McDonald is credited for his involvement in Pizza Hut's two-for-the-price-of-one campaign. He will report to Steve Fellingham, president of KFC U.S.A.

## Paragon selling Murphy's as part of restructuring

SAN DIEGO — Paragon Restaurant Group, the industry's 10th-largest specialty dinner-house operator, has agreed to sell its 19-unit Carlos Murphy's chain to an unidentified firm as part of a planned strategic restructuring.

The privately owned company, operator of 52 Hungry Hunter and Mountain Jack's steak restaurants and the 33-unit Rusty Pelican seafood group, said it retained the investment banking firm of Donaldson, Lufkin & Jenrette to evaluate further alternatives. Paragon might recapitalize or refinance debt and "very well might" sell additional restaurant operations, marketing vice president Bill Seckinger said.

Acquired by management in a $112.5 million leveraged buyout in 1986, Paragon reported sales of $216.5 million last year. The company sees positive or stable trends in its meal counts, sales, and cash flow and will gain "as much breathing room as we'd ever want" from the pending sale of Carlos Murphy's, Seckinger remarked.

## Heavy rains wash out Texas oyster crop

GALVESTON, Texas — Heavy rains have nearly wiped out the marketable oyster crop in Galveston Bay and may push prices as high as $30 a gallon.

Galveston Bay, which produces a large portion of the nation's oysters, experienced heavy freshwater runoff during tropical storm Allison and hurricane Chantal, which lowered the salinity in the bay water.

Runoff from the Trinity River has killed from 50 percent to 90 percent of the market-sized oysters (3 inches or larger), experts say.

# Operators show slow 3rd Q start

**By Rajan Chaudhry**

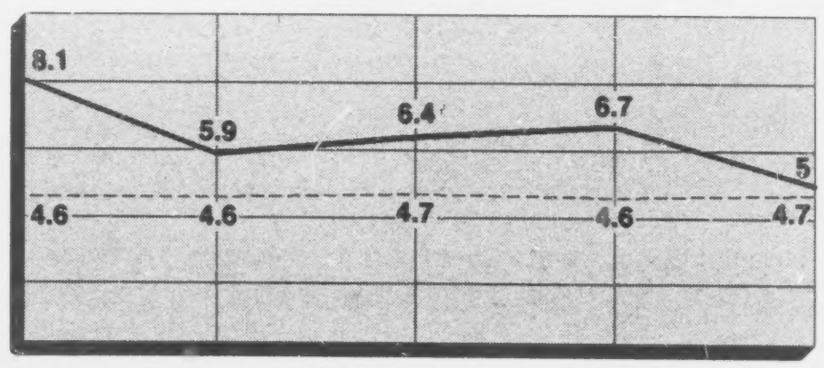
WASHINGTON — Preliminary government figures suggested that the nation's restaurants and bars got out of the gate slowly in the third quarter, with sales growing just 5 percent in July.

Menu price inflation rose at a 4.7-percent unadjusted rate in July, up 0.1 percentage point over June's figure, according to the Labor Department's Consumer Price Index for food consumed away from home.

And the gap between price hikes at supermarkets and those at restaurants closed for the second straight month, according to the Labor Department, with Food at Home inflation falling to a six-month low of 6.4 percent.

Not all the news here was bad, however, as wholesale food price inflation slowed to 4.8 percent, its lowest year-to-year increase since November 1988, according to the U.S. Labor Department's Producer Price Index of finished consumer foods.

**SALES GROWTH LOSES STEAM**
(in percent)




Sources: U.S. Census Bureau, U.S. Department of Labor. Figures are not adjusted.

Lunch checks posted the biggest gain of the month, exceeding 5 percent; dinner-price hikes brought up the rear with a 4.3-percent rate of increase; and the price of other meals and snacks grew at a 4.5-percent pace.

Fresh and dried vegetables once again put pressure on producer prices, rising at 19 percent year-over-year. Prices of eggs followed suit, accelerating at a 16-percent unadjusted rate. Wholesale prices of beef, veal, dairy products, and processed fruits and vegetables all advanced at about 6.5 percent.

Processed young chickens, with a fall of 2.5 percent over last year's figure, joined the price losers for the first time this year. Other losers included milled rice, down 11.3 percent, and shortening and cooking oils, down 7.6 percent.

FINANCIAL NEWS

# National Pizza buoyed in 2nd bid for Skippers

By Milford Prewitt

PITTSBURG, Kan. — National Pizza Co. is heartened that its second attempt to acquire Skippers Seafood 'n' Chowder House Restaurants has not triggered the ire of Pizza Hut or resistance from the Bellevue, Wash.-based seafood chain.

"Pizza Hut is aware of our interests and has chosen not to take exception," said J.J. Fitzsimmons, senior vice president and chief financial officer of National Pizza, the largest Pizza Hut franchisee, with 337 restaurants in 13 states.

"We're fully aware of their intentions and are staying in close contact with them for counsel and advice," said Roger Rydell, a Pizza Hut spokesman. "We advise all franchisees on our position on a one-to-one confidential basis in these kinds of matters."

Skipper's, apparently mollified by National's insistence that it wants a friendly settlement, has put no road blocks before its suitor.

Skipper's executives said that while they are aware of National's 9.4-percent ownership of the company, it will not interfere with the company's operations.

Pizza Hut's benign scrutiny and Skipper's business-as-usual attitude are in contrast to the confrontational roles both played when National made a bid for Skipper's just seven months ago. In that episode Pizza Hut warned National that the franchise agreement contained a provision for revoking contracts when a licensee acquired another food concept.

Fitzsimmons revealed in retrospect that Skipper's defense was a more formidable obstacle than Pizza Hut's threats. "We couldn't do it before because of the price," Fitzsimmons stated.

Skipper's has a number of operating and marketing qualities that make it an attractive target, Fitzsimmons said, outlining his company's ardor for the seafood operator. And he revealed that National's sense of urgency derives from a feeling that it has gone about as far as it can go as a Pizza Hut franchisee.

He said Skipper's position as a segment leader with no chain competitors in its markets, its strong management team, and its modest food and operating costs make it a particularly attractive takeover candidate.

"We had been looking at a number of chains for some time because we realized the day will come when we would be unable to grow in the Pizza Hut system," Fitzsimmons said, "and that growth is not entirely in our hands.

"We've always appreciated the way Pepsico goes after segment leaders," Fitzsimmons continued. "Well, we can't afford to buy McDonald's the way they could Kentucky Fried Chicken, but in its own right, Skipper's is a segment leader."

Although Shoney's Captain D's and Jerrico's Long John Silver Seafood Shoppes are large competitors in Skipper's seafood segment, Fitzsimmons noted that Skipper's has a virtual lock on the Pacific Northwest. Moreover, Fitzsimmons said that unlike the three other major fast-food segments, seafood is unique in that there are no legions of mom-and-pop operators — as is the case in the hamburger, pizza, and chicken segments — nipping away at Skipper's market share in the Northwest.

Another quality that makes Skippers desirable is its senior management corps, Fitzsimmons said. He noted that Everett "Jeff" Jefferson, Skipper's president and chief executive officer and a former Pizza Hut manager, and Bob Taft, senior vice president and chief operating officer, were "people we know and respect."

One of the potential stumbling blocks that dampened National's bid in the past and may arise in the current negotiations is a difference of opinion between National and Pizza Hut over clauses in the franchisee agreement concerning restaurant acquisitions.

Fitzsimmons said Pizza Hut was unswayed by National's use of the Riese Organization as an example of a Pizza Hut franchisee that successfully operates other concepts.

The Riese Organization operates more than 300 fast-food and full-service restaurants, representing some 40 different concepts, in the New York metropolitan area.

As he explained it, Pizza Hut pointed out that the Riese Organization is a privately held company and is guided by a different set of franchisee requirements.

Since National Pizza is a public company, Pizza Hut wanted to require that any new restaurant acquisition be separately incorporated, Fitzsimmons explained.

Fitzsimmons also indicated that subsequent discussions between National and Pizza Hut have smoothed out the major disagreements over contract language.

"We're pretty optimistic," Fitzsimmons said. "The main point now is a friendly, negotiated acquisition."

Meanwhile, National's publicized interest in Skipper's has not resulted in any sharp swings in the seafood company's stock price. For the past month, Skippers stock has been trading between $9 and $9.40 per share. Its 52-week high was $10.50. And its 52-week low was $5.

For the first fiscal quarter ended June 27, National Pizza posted a 38-percent rise in net income, to $3.6 million, on a 21-percent increase in net sales, to $32.7 million.

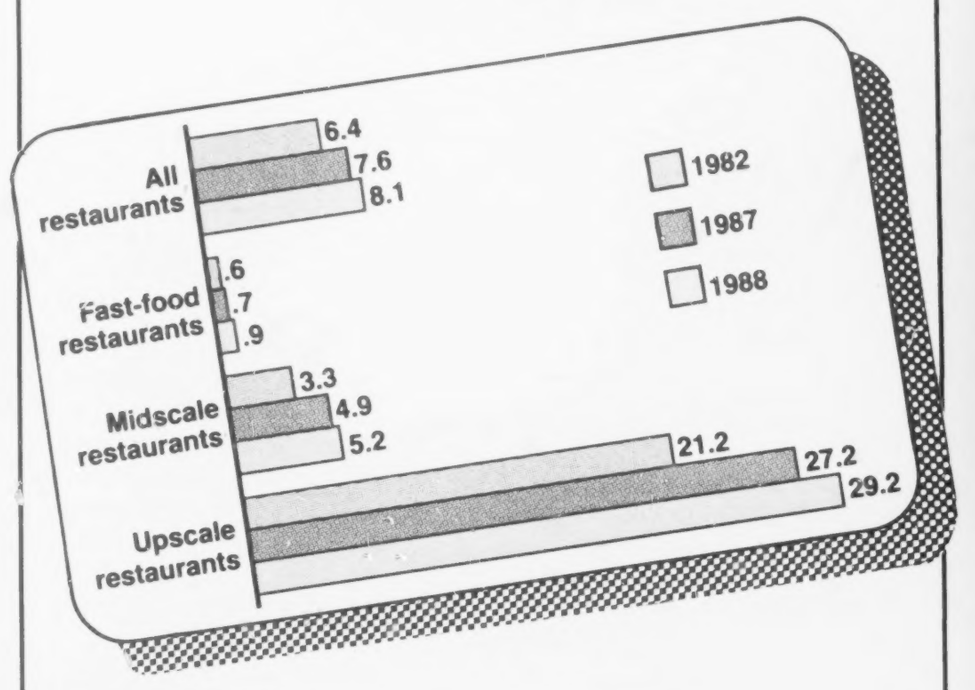
Real comparable-store sales improved 6.5 percent over last year's figure.

## FACT FILE

*A look at the statistics shaping the industry*

### CREDIT-CARD USE ON THE RISE AT RESTAURANTS

(percent of restaurant expenditures that are charged)




Source: CREST

## NRN FINANCIAL DIGEST

### Horn & Hardart loses $1.5M

NEW YORK — The Horn & Hardart Co. said a 92-percent drop in restaurant operating profits. higher interest expenses, and onetime administrative costs caused a loss of $1.5 million for the second quarter, compared with a profit of $37,000 a year ago.

Revenues for the quarter ended July 1 rose 3 percent from last year's figure, to $142.5 million, Horn & Hardart said.

Profits at the company's restaurant group plunged to $295,000 in the latest quarter from $3.7 million in the comparable period of last year. And revenues fell 22 percent, to $39 million, as a result of restaurant closings.

The company said its 82-unit International King's Table operation lost money in the second quarter, and its Burger King restaurants suffered declining profitability. But Bojangles', the company's fast-food chicken operation, was profitable, it said.

Horn & Hardart's direct marketing operations fared better than its restaurants, posting a 319-percent increase in operating profits, to $5.6 million, on an 18-percent gain in revenues, to $102 million.

For the first six months of 1989, the company's losses grew 110 percent, to -$3.4 million, while revenues rose 10 percent, to $261.7 million.

### Pantera's sells cheese company

DALLAS — Pantera's Corp. has sold its Branch Cheese Co. subsidiary to International Cheese Co. to raise capital and cut debt. Terms were not disclosed.

Pantera's announced last month that it was burdened by a severe debt load and was willing to sell some of its 215 Pizza Inn restaurants to raise capital. The company also said it had retained a New York venture capital group to help it restructure the debt.

The sale of its Branch Cheese subsidiary is the first transfer of assets since the company acknowledged its travails.

Earlier this month Pantera's said some of its secured lenders agreed to waive for 30 days any default caused by the company's inability to make scheduled installment payments.

### Sea Galley to sell 17 restaurants

MOUNTLAKE TERRACE, Wash. — Sea Galley Stores Inc. said it has agreed to sell 17 Sea Galley restaurants to Keg Restaurants U.S.

The agreement, the terms of which were not disclosed, involves five restaurants in Colorado, five in Oregon, and seven in Washington.

Keg U.S., a unit of Keg's Restaurants Ltd. of Vancouver, British Columbia, said it would convert those Sea Galleys that have potential to its Keg's steak and seafood concept.

Sea Galley said the sale would provide funds for the growth of Sea Galley restaurants in Washington, Idaho, Arizona, and Alaska and the pursuit of development of its American Ranch & Home store concept on Washington.

Sea Galley lost more than $2.3 million in its latest six months.

## FOOD PRICE OUTLOOK

# *Tomato pack larger this year*

Prices of **canned tomatoes** and **tomato products** should decline this fall as canners pack enough to fill the distribution pipeline and replace stocks that were depleted by last year's small pack. This year's delivery of tomatoes to packing plants looks as if it will reach 8.5 million tons, according to the U.S. Department of Agriculture. Last year it was only 6.5 million. Imports of canned tomatoes have been strong, with most of them in 6/10 size.

**Tomato paste** imports were also up. In 1988 paste imports totaled 107.4 pounds; as of June 1 of this year, 135 million pounds were brought into this country, most of it in 6/10s. The largest importers are Mexico and Brazil, which totaled 63 percent of the imports last year.

Prices for **farm-raised catfish,** both fresh and frozen, continue to hold steady, as both production and demand have increased; production running about 16 percent higher than last year with demand matching or exceeding it slightly. Don't expect to see prices drop as long as demand stays strong this year.

**Green coffee** prices are still the lowest in years, but U.S. roasters are not buying heavily. Most complain they still have large inventories to work off, and sales don't pick up strongly until mid-fall or later. Lower prices for **roasted coffee** probably won't be posted until well into the winter season.

**Chicken** production is up 5 percent to a new record, but demand is continuing to keep up. As a result, prices are now down about 10 percent from last year at this time.

— **Patt Patterson**

# FOCUS | OPINION

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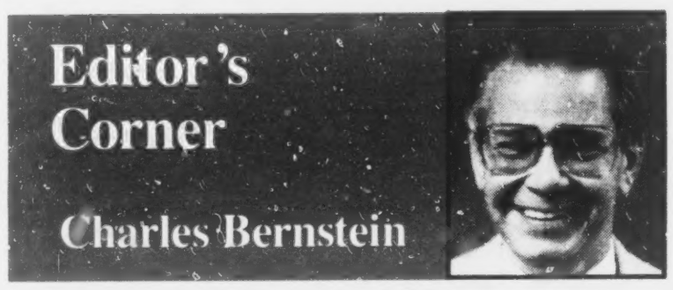
# Risky goal: 'We'll be No. 1 in sales'

Last week we presented a scenario by which pizza might eventually overtake burgers as the No. 1 category in food-service sales. This would be aided and abetted by McDonald's "McPizza," which is being tested and may be rolled out by next year.

In any case, pizza undeniably has emerged as a very hot category, and chains are fighting for market supremacy. Pizza Hut, Domino's Pizza, and Little Caesar are leading the segment by wide margins.




Each of the Big 3 in the pizza derby has its own market niche and a clear dominance in its own section: Pizza Hut in the sit-down business, Domino's in home delivery, and Little Caesar in take-out.

Inevitably, Pizza Hut has tried to counter Domino's home-delivery dominance and is moving into its own delivery system. But Little Caesar is holding to its market and merely attempting to widen its edge in the take-out category.

There already is a natural rivalry between Little Caesar, based in the Detroit suburbs, and Domino's Pizza, in Ann Arbor, Mich. It got to the point where Little Caesar founder-chairman Michael Ilitch bought the Detroit Red Wings ice hockey team five years ago, just after Domino's founder-chairman Thomas Monaghan purchased the Detroit Tigers baseball team. No love is lost between the two food-service and sports executives.

We have always admired Monaghan and Domino's for sticking to their one and only market niche — home delivery. They do it exceptionally well and have painstakingly implemented a smooth system — which is not an easy task, as Pizza Hut discovered.

However, it is puzzling to see Domino's now setting a goal of overtaking Pizza Hut in total sales. It conceivably could happen in the next several years, with Domino's already having closed the gap to $2.6 billion systemwide sales, compared with $3.1 billion for Pizza Hut. To put it another way, Pizza Hut enjoys a 37.7-percent market share, Domino's 31.6 percent, and Little Caesar 14.6 percent, among the eight leading pizza chains.

David Black, a onetime Domino's delivery driver who at age 40 recently moved up from Domino's operations vice president to president, has now stated his intention of overtaking Pizza Hut and becoming the No. 1 pizza chain. He wants to at least double the number of units, from 5,000 to 10,000 over the next decade.

For the first time, Domino's — feeling it must widen market share — has rolled out a new product, deep-dish pizza. This could generate more sales, but it might clog up the fine-tuned preparation and delivery system.

Obviously, the only route to Domino's overtaking Pizza Hut is through vastly increasing the number of units and penetration. Doubling the number of units would have the advantage of moving the prep systems closer to all the delivery points.

Yet Domino's has an overwhelming task in trying to catch Pizza Hut and thereby become No. 1. Pizza Hut is finally set for a major home-delivery push with special kitchens in many of its units. With its seating, Pizza Hut can further boost its current $570,000 average per-unit volume while Domino's, even with deep-dish pizza, can only gain slightly over its current $440,000 average per-unit home-delivery sales.

If Domino's should manage to overtake Pizza Hut in the next decade, such a drive still may be ill-advised. Domino's should be focusing on boosting its profits rather than on pursuing an elusive chase.

While Pizza Hut scored a $153 million operating profit on $2.1 billion revenues in 1988, Domino's operating profit was only $14 million on $1.1 billion revenues. Domino's strategy was to gain market share and emphasize two-for-one pizza promotions.

This year the privately owned Domino's profit picture seemed to improve, but its bottom line could be a lot stronger. A plan to more than double sales and sharply boost market share is not the path to higher profit margins.

At the same time we applaud Monaghan, Black, and the whole Domino's team for their innovation and spirit. Monaghan has stuck to his home-delivery guns through the toughest times in the early 1970s and through much better days. It is just that Domino's apparent strategy to become the No.-1-volume pizza chain is representative of a type of thinking evident at too many companies — a strategy that can engulf them in troubles.

Striving to be the best and to improve performance is admirable. Any plan to become No. 1 in profits also makes sense. To push for more and more sales and a mythical objective of becoming first in any market segment is undoubtedly a tremendous ego boost but by no means the soundest idea.

Domino's wisely is sticking with only home delivery. Nobody — certainly not Pizza Hut — can emulate the degree of success that Domino's has enjoyed in its niche.

Nor should Domino's necessarily aspire to beat Pizza Hut at the volume game or risk overextending the system. Instead, Domino's and other chains should work on boosting their profit percentages and totals — the only scorecard that really counts.

Operators must beware of sacrificing profits in an endless quest for more and more market-share points.

## LETTERS

### *Proposed bill will not protect the handicapped*

Editor, NRN:

In reference to your June 26 article, "legislation battles discrimination against disabled job applicants," your reporter missed the importance of the proposed legislation.

If you read it again, you will see that it appears to class as "disabled," and therefore protected, all of the people the enlightened employers are now trying to screen out among job applicants in their efforts to control workers comp costs. That is, those with bad backs and experienced workers compensation claimants will go to the head of the priority list of applicants, along with minorities and other protected groups.

Discriminating against the hiring of the handicapped has been illegal for some time, so that is not the purpose of Sen. Harkins' bill. There is some other motivation for it besides the economic welfare of the handicapped.

The result of this proposed law will be to take away the employers' right to protect himself against hiring professional comp claimants and applicants with bad backs, frail knees, and other chronic ailments that make them a high risk for mega-comp claims.

If this bill, when passed, will do what your article said it will do, the impact it will have on the bottom line of restaurant companies is second only to that of the minimum-wage bill the industry worked so hard to have vetoed by the president recently.

In fact, in such problem jurisdictions as Texas and California, I say this so-called anti-discrimination legislation would be much worse in net cost than a $3.55 minimum wage.

In the regions where I do most of my business, restaurant operators have to pay well over the minimum wage now to get enough help to keep the doors open, but their WC costs continue to escalate. If the industry doesn't get out there and defeat this legislation, too, it will lose the most significant tool now available to it in the control of runaway workers' comp costs.

**— William English**
*risk management consultant*
William English Ltd.
Oakton, Va.

### *Memphis market offers many fine restaurants*

Editor, NRN:

The July 10 article concerning Hemmings Restaurant in Memphis, Tenn., was very well written with one exception.

You are being unfair to many independent restaurant operators in Memphis by depicting the market as "dominated by down-home barbecue joints, casual chain dinner houses, and hotel restaurants."

Having lived in Memphis for the last 13 years and as a past president of Dobbs Houses Inc. and currently an owner-operator of a small chain of 24-hour coffee shops, I feel qualified to offer the opinion that the Memphis market has many fine restaurants but obviously not the quantity found in New York, Chicago, Los Angeles, etc.

We wish Hemmings well. But please be assured we were not all sitting around eating barbecue ribs and buffalo wings before Hemmings opened. Thank you.

**— E. J. Sullivan**
*president*
CKG Enterprises
Memphis, Tenn.

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Carolyn Walkup/Page 18

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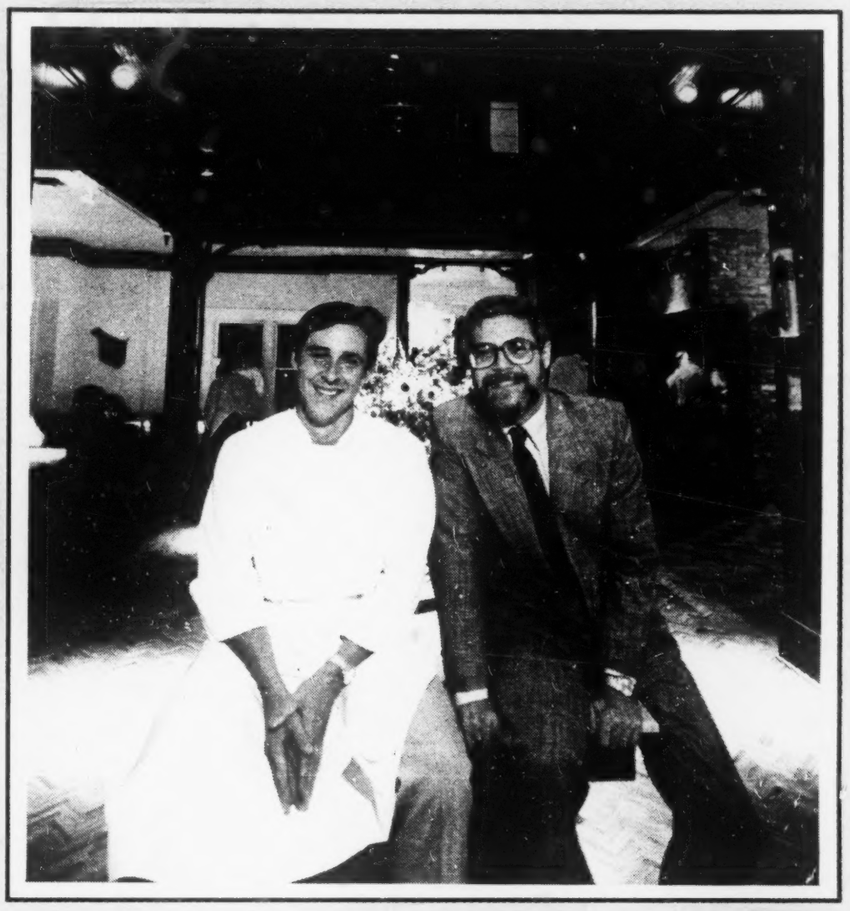


NRN Photo

**Bradley Ogden, left, and Michael Dellar under skylight in the main dining room at Lark Creek Inn in Larkspur.**

## *Bay Area vets seek more casual niches*

**By Alan Liddle**

SAN FRANCISCO — Several veteran Bay Area restaurateurs are flying in the face of a soft market with new, less formal concepts.

Two of the newest launches come from American Cuisine movement mainstay chef Bradley Ogden, who opened Lark Creek Inn in Larkspur, Calif., and casual Max's restaurant kingpin Dennis Berkowitz, who unveiled two new restaurants in the same neighborhood.

Other area operators betting their futures on heavy new investments include:

- Julie Ring, former co-owner of Ring's Fine Seasonal Cuisine and the co-proprietor of Julie's Supper Club, who opened the Caribbean-styled Miss Pearl's Jam House.
- Robert Larman, a force behind Scott's Seafood Grill and Kuleto's, whose new venture is the Magnolia

*(BAY AREA, page 119)*

# Back to school: Feeders face 6-percent cost hike

## *Government reduces key dairy supplies*

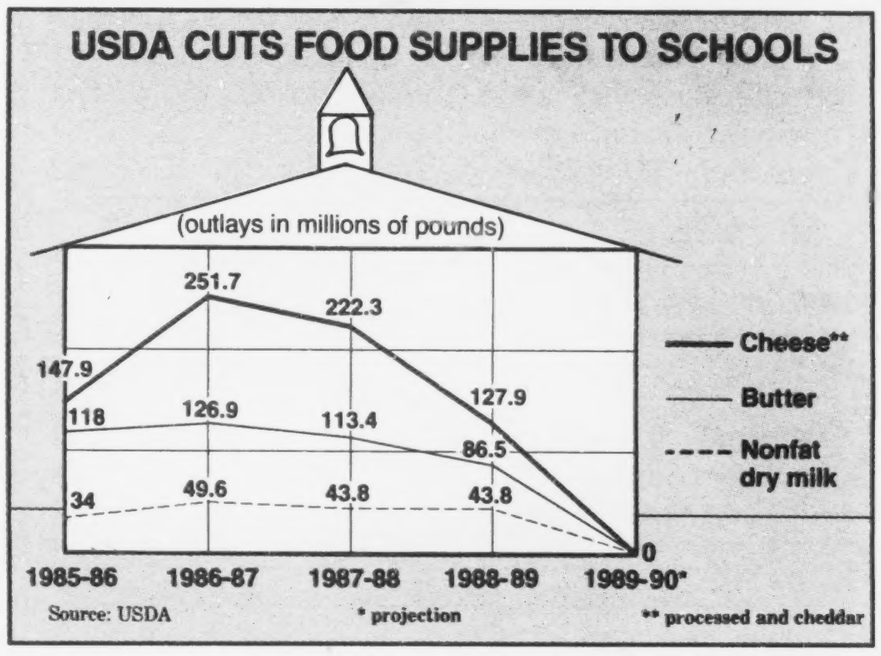
**By Bill Carlino**

While students across the country prepare to make the annual transition from summer vacation to the rigors of academics, school food-service directors are battling both escalating food costs and a shortfall of surplus commodities.

As the 1989-1990 school year approaches, food-service directors, nutritionists, and dietitians, responsible for churning out more than 30 million school meals daily, are staring at a 6-percent average across-the-board price hike on many items that could translate to an increased meal cost to students.

"I've had to raise meal prices for the first time in four years," said Beverly Lowe, food-service director of the Hampton, Va., school district and president of the American School Food Service Association. The Englewood, Colo.-based ASFSA, is a 65,000-member organization of both independent and contracted

*(See SCHOOL, page 117)*




# Slumping San Simeon shuts

## *Casual Sfuzzi upstaged sister concept*

**By Tracey Taylor Woodard**

DALLAS — Plummeting customer counts and a management distracted by the success of an alternate concept have forced Crillon Management Group to shutter its elegant San Simeon restaurant here.

"There is always a number of different reasons" why a restaurant closes, said Mary Edwards, marketing director for the group. "The most obvious is always the lack of business, though."

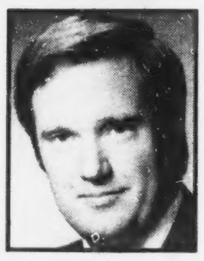
The restaurant was opened in 1986 by Patrick and Robert Colombo, David Palmer, and Brian Galligan after Patrick Colombo left his position of assistant food and beverage director at the Mansion on Turtle Creek.

"We opened in the middle of a wonderful lifestyle, where people wanted to experience eating with little care about how much it cost," Edwards said.

"Those days of getting

*(See SAN SIMEON, page 119)*

# Wall Street expert joins MUFSO



**Steffens**

NEW ORLEANS — John L. Steffens, president of Merrill Lynch's consumer markets sector, will present an assessment of the food-service industry's 1990s prospects Tuesday morning, Sept. 12, at Nation's Restaurant News' 30th annual Multi-Unit Food Service Operators Leadership Conference at the New Orleans Hilton.

Al Ries, president of Trout & Ries, a marketing-positioning expert and author of the controversial book "Bottom-Up Marketing," will follow Steffens on the program.

In addition, Robert Grimes, president of Strategic Technology Services, a specialist in the design and application of computer techniques, will explore new technologies for the food-service industry in a talk Monday morning, Sept. 11.

Other major outside speakers at the Sept. 10-13 conference, "Fitness for Success," will be Willard Scott, the pop-

*(See MUFSO, page 119)*

**Golden Chain winners profiled**
**Page 7**
**New Orleans to host MUFSO attendees**
**Page F6**
**MUFSO schedule**
**Page F56**

## FOOD WATCH

### *The shape of pasta to come*

CHICAGO — The shapes of the pasta on Carlucci Restaurant's new menu are as innovative as the flavors of the dishes.

*Orecchiette trevisana* is ear-shaped pasta sautéed with radicchio, tomato, and pancetta, while *penne con pollo e peperoni* is quill-shaped pasta with roasted chicken, peppers, and spinach. *Mafaldine ai funghi* combines ragged-edged noodles with porcini cream sauce, wild mushrooms, and chives.

But the favorite seems to be *radiatori ai broccoli* — radiator-shaped pasta, Taleggio cream sauce, broccoli, caramelized onions, and tomato, said Joe Carlucci, co-owner of the newly remodeled 5-year-old restaurant on North Halsted Street.

**— Carolyn Walkup**

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Vol. 23, No. 36 Sept. 4, 1989

# NEWS DIGEST

## Michael Grisanti seeks to buy Grisanti's units

LOUISVILLE, Ky. — Michael Grisanti, president and chief operations officer of Grisanti's Inc., will repurchase a portion of the 19-restaurant Italian dinner-house chain he sold to Imasco USA a few years ago, according to an official at Grisanti's.

"It would appear that Mr. Grisanti has been successful in reclaiming most of his empire," said Dean Williamson, director of human resources. "Within our company he has been sharing information with people; externally, I don't know if he's ready to put out a press release. The deal won't close for a good 45 days anyway."

Neither Michael Grisanti nor Imasco USA, which also operates the Hardee's fast-food burger chain, could be reached for comment.

Recently, Imasco and General Mills, which was to have purchased more than half the Grisanti's chain for conversion to its fast-growing Olive Garden concept, broke off negotiations.

## Shere to relinquish reins of Coach & Six restaurant

ATLANTA — Onetime nightclub singer Beverlee Soloff Shere, ending a year of speculation about the future of her 27-year-old luxury restaurant, confirmed she would sell The Coach & Six to former art theater operator George Lefont.

Lefont, a senior vice president at Hoyts Cinemas Corp., will take control of the landmark 197-seat Peachtree Road establishment in early October. Until then Shere and Lefont will operate as a team.

"This is a hands-on business, and I simply ran out of energy," said Shere, who added that her future plans are uncertain.

Lefont said he envisions no immediate concept changes.

## Shoney's earmarks $90M for minority programs

ATLANTA — Shoney's Inc. said it has entered into a "firm handshake agreement" with the Southern Christian Leadership Conference here, aimed at broadening the opportunities for blacks within the Shoney's and Captain D's restaurant systems.

Shoney's said it has agreed to provide about $30 million per year for three years to build minority recruitment and franchising, implement special "fast-track" management programs, and develop minority businesses by hiring more black vendors and contractors and borrowing from black-owned banks.

In April Shoney's became the target of a class-action lawsuit that charged the company with discriminating against blacks.

## Walsh's new concept may not see daylight

NEW YORK — Chef Brendan Walsh, of Arizona 206 fame, said financing troubles may prevent him from opening his new restaurant here.

Walsh had planned to open a 110-seat tavern-style restaurant and bar in downtown Manhattan this year under the name Brendan's or BW's Tavern.

He said his goal was a restaurant "where two people could eat for under $100 complete."

## Court delivers verdict of innocent in Noid case

ATLANTA — Kenneth Lamar Noid, the man who held two Domino's Pizza employees hostage here because he allegedly felt he was the target of the pizza chain operator's "Avoid the Noid" advertising campaign, has been ruled innocent by reason of insanity.

Noid held two employees captive at a suburban Domino's outlet here for nearly six hours in January before the hostages escaped and he surrendered, police said.

Noid was charged with two counts each of kidnapping, aggravated assault, and possession of a firearm.

## Federal courts melt hopes of Häagen-Dazs franchisees

NEW YORK — Federal courts here and in Minneapolis rejected legal challenges by 19 franchisees of Häagen-Dazs Ice Cream Shoppes. They charged that the distribution of Häagen-Dazs ice cream through supermarkets, convenience stores, and other retail outlets violated the terms of their franchise agreements.

The franchisor, Häagen-Dazs Co., is a subsidiary of Grand Metropolitan PLC, which also owns Burger King Corp.

## Tony Lavely returns to Long John Silver's

LEXINGTON, Ky. — Tony Lavely, a former marketing chief of Burger King Corp., has returned to Long John Silver's here as senior vice president of marketing.

The quick-service seafood chain hired Lavely after drafting plans to bolster marketing expenditures to 6 percent of systemwide sales, from the previous level of 5 percent. The increase would raise Long John Silver's total marketing budget to an estimated $50 million for the year ending June 1990.

Lavely joined Burger King from Long John Silver's in 1988. He resigned at Burger King's request after a much-ballyhooed sweepstakes promotion, Triple Jump Checkers, failed to deliver the sales spurt he had promised.

# *Bass PLC acquires Holiday Inn*

## *Inks $2.23 billion deal for lodging division*

**By Bill Carlino**

MEMPHIS, Tenn. — Holiday Corp. has struck a $2.23 billion agreement with franchisee Bass PLC of Britain to sell its 1,400-unit Holiday Inn lodging division.

Holiday Corp. said it would spin off the remainder of the company, which includes its Embassy Suites, Hampton Inns, and Homewood Suites concepts plus hotel-casino operations under the Harrah's banner in Las Vegas, Nev., and Atlantic City, N.J.

Under the terms of the agreement, Bass PLC — a brewery and hospitality conglomerate with sales approaching $6 billion last year — will issue stock worth $125 million and will assume about $2.1 billion of Holiday Corp. debt.

In return, Bass will gain control of the world's largest hotel chain, comprising 55 company-owned Holiday Inn hotels and 1,400 franchised and joint-venture properties throughout the United States, Canada, and Mexico.

For each share of Holiday Inn stock held, shareholders will receive about one-quarter of a share of Bass stock, a $35 cash dividend, and one share in Holiday Corp.'s new spin-off company.

About $245 million of the acquisition price will be used to pay back a receivable note held by Holiday Corp., stemming from Bass' purchase of 14 Holiday Inn franchise agreements in the Southeastern United States last year. Bass also holds the rights to franchise Holiday Inn hotels outside of North America and operates several Holiday Inns franchises in Canada.

The transaction, contingent on approval from shareholders and the Nevada and New Jersey gaming commissions, would be completed through the merger of a new U.S.-based subsidiary of Bass into Holiday Inns.

Total sales for all non-gaming Holiday Corp. lodging properties topped $800 million last year, while Harrah's reported revenues of $781.1 million.

FINANCIAL NEWS

# Ciatti's bounces back; year-end sales up 35%

By Rajan Chaudhry

MINNEAPOLIS — Ciatti's Inc., which finished last year $885,366 in the hole, posted a dramatic turnaround in its fiscal year ended July 2, dishing up net earnings of $505,543 on a 35-percent increase in sales, to $11.2 million.

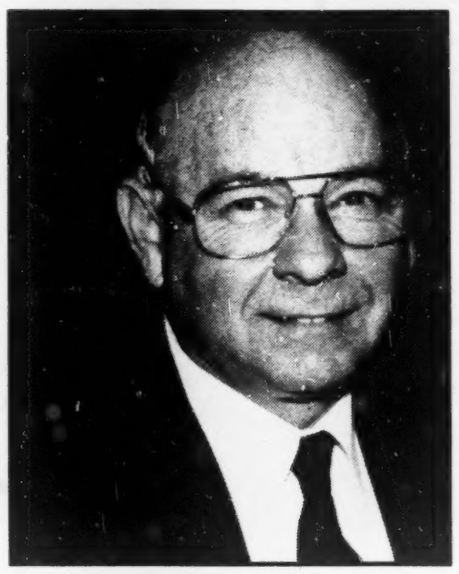
Ciatti's operates a chain of seven casual midscale Italian restaurants.

William C. Ferril, company president and chief executive, attributed the improved results to the contribution of sales and profits from three new restaurants opened during the year, increased customer awareness, a menu-price hike of about 4 percent, and tightened reins on costs.

Operating earnings from Ciatti's four mature units — in Minneapolis, St. Paul, Milwaukee, and Madison, Wis. — increased 82 percent year over year, fueled by comparable-store sales growth of almost 10 percent.

And the company's trio of new restaurants — located in the Minneapolis-St. Paul area — achieved profitability quickly, Ferril said.

According to him, Ciatti's is beginning to harvest the fruits of a marketing program begun last year with local ad agency Kolesar & Hartwell, known for its creative outdoor advertisements. In addition to advertising via billboards, Ciatti's catches the eyes and ears of consumers through four-color print ads and radio spots, he said.



William C. Ferril

**Ciatti's**
Minneapolis
**No. of units:** 7
**Founded:** 1981
**Annual sales:** $11.2 million
**Average per-store sales:** $2 million
**President and CEO:** William C. Ferril

As a result of sales increases and the 4-percent menu price hike, Ciatti's food costs dropped to 30.6 percent of sales in the latest year from 31.8 percent in the prior year, Ferril said.

And the company's labor costs, including benefits and taxes, dropped to 29.6 percent from about 31 percent of sales.

General and administrative costs also fell in the latest year, to 5.6 percent of sales, from 7.8 percent a year ago.

Restaurant operating earnings reached 11 percent of sales vs. 3.9 percent last year, and average unit volume rose to $2 million from about $1.7 million.

Last year's $885,366 loss included a $657,000 charge resulting from the closing of an unprofitable restaurant in Indianapolis.

For the latest quarter Ciatti's net earnings were $139,937 compared with a net loss of $96,657 a year ago. Sales grew 40 percent, to $3.3 million.

Ciatti's plans to open three additional restaurants this year, concentrating on its two major markets in the Twin Cities and Milwaukee, Ferril said.

# Morrison's 1st quarter earnings fall flat

NEW YORK — Morrison Inc.'s stock price tumbled $2.88, to $28.38 per share, after the huge restaurant and food-service management company said its earnings would be flat in the first quarter compared with year-ago earnings.

In last year's first quarter, Morrison posted earnings from continuing operations of 35 cents a share.

*Margin erosion and low customer counts were cited as reasons for the company's flat profits.*

The company blamed its disappointing profits on margin erosion and low customer counts in its family-dining division.

Morrison also said it is intensifying marketing, promotion, and cost control efforts in order to meet its goals for the remainder of the fiscal year.

For the year-ago first quarter, Morrison's net income was $6.6 million — including $410,000 from discontinued operations — on sales of $185 million.

The company's operations include Morrison's Cafeterias, Morrison's Custom Management, and Morrison's specialty restaurant division, which comprises Ruby Tuesdays, L & N Seafood Grills, Sadies Buffets, and the Silver Spoons Cafes.

FOOD PRICE OUTLOOK

# *Green coffee prices still dropping*

The price of **green coffee beans** on the New York docks continues to slide downward. It's still too early for heavy demand by customers, since late fall and winter are the main coffee-drinking months. Roasters, still working down inventories, are buying cautiously, which will probably delay across-the-board price reductions on **roasted coffees** until sometime in the fall.

**Iceberg lettuce** prices are going up and down like a yo-yo as Colorado and home-grown lettuce hit Midwestern and Eastern markets . . . There's a large supply of **frozen turkey** in storage. Production is up. Expect prices to continue to drop unless export demand becomes stronger . . . **Pork** prices should go down as slaughter increases this month. But the holiday season will erode stocks, and prices will — as usual — rise in November and December.

Just about all the **vegetable oil** and **edible animal fat** prices have fallen except for that of **coconut oil,** which many manufacturers are shunning. The prices paid for fats and oils will lag, however. Don't expect any major slide until midfall at the earliest.

The forecast harvest of **dry beans** should boost the dry-bean stocks. Some trouble spots have arisen from too much or too little precipitation, but most areas report good prospects. But export interest is expected to remain strong. So don't anticipate sharply lowered prices.

**Tomato and tomato product** canning is still holding the early lead over last year's figure. Some estimates place the amount of tomatoes canned at 40 percent higher than last year's. Prices should start to drift downward near the end of this month.

It looks as if Michigan's **red tart cherry pack** will be larger than last year's, but the U.S. Department of Agriculture and the cherry industry do not agree how much. The USDA said it would be 6 percent larger than last year's. The cherry industry said the gain would be much smaller than that.

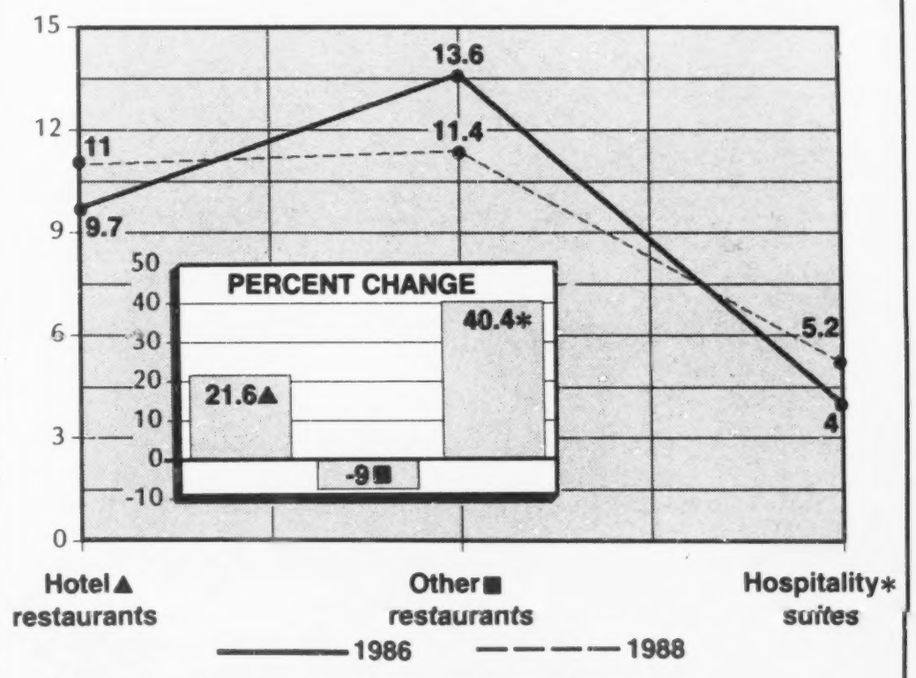
**— Patt Patterson**

FACT FILE

*A look at the statistics shaping the industry*

**THE NEW CONVENTION: HOTEL RESTAURANTS, HOSPITALITY SUITES**

**(Percent of total expenditures by U.S. conventioneers, 1988)**




Source: International Association of Convention & Visitor Bureaus

NRN FINANCIAL DIGEST

## New restaurants bleed Ark

NEW YORK — Ark Restaurants Corp. said operating losses at three recently opened restaurants cut the company's third-quarter net income by 90 percent, to $40,000, on a drop in sales of less than 1 percent, to $7.3 million.

For the quarter ended July 1, the company's America restaurant in Washington, D.C., and Manhattan's An American Place and Gonzalez Gonzalez all lost money. Ark said it expects the operating losses for the three restaurants to continue through the fourth quarter.

The company also expects fourth-quarter losses at its new K Paul's New York restaurant, which it converted from an unprofitable Big Kahuna restaurant.

Ark is continuing to write off certain assets from the Big Kahuna operation and costs associated with the opening of the new K Paul's. For the three months ended in July, Ark's net income fell 62 percent, to $406,000, on a slide in sales of 3 percent, to $28.3 million.

## Restaurants crimp Marcus' earnings

MILWAUKEE — The Marcus Corp. said cost and competitive pressures severely eroded sales and profits at its Big Boy and specialty restaurants and resulted in flat earnings for the year ended May 25.

The company said its net earnings for the year were $10 million, about the same as last year's, and that its revenue rose 3 percent, to $166.7 million.

Although the company experienced growth at its Kentucky Fried Chicken, theater, hotel, and motel units, it said it has closed many unprofitable restaurants and has put the related assets up for sale.

Marcus said the closings will allow it to concentrate on improving its remaining restaurants through remodelings, new menu introductions, and marketing and operational changes. For the latest fourth quarter, the company posted a 3-percent rise in net income, to $3 million, on a 1-percent rise in revenue, to $48.7 million.

## Investors OK sale of Mrs. Winner's

NASHVILLE, Tenn. — Winners Corp. said its shareholders approved the sale of the company's Mrs. Winner's restaurant division to RTM Inc. for about $30 million in cash and the assumption of certain lease obligations.

RTM is an Arby's franchisee with about 200 units.

After the closing of the sale, Winners Corp. will change its name to Volunteer Capital Corp., it said. The company, which had roots in truck leasing, had been Volunteer Capital Corp. in the early 1980s before getting into the chicken business.

For its first six months, Winners lost $15.3 million on a 21-percent drop in sales, to $41.2 million.

First-half charges included a loss provision of $380,000 for the sale of 11 Mrs. Winner's units to Kentucky Fried Chicken and an $11.8 million provision for the sale of the remaining units to RTM.

# FOCUS | OPINION

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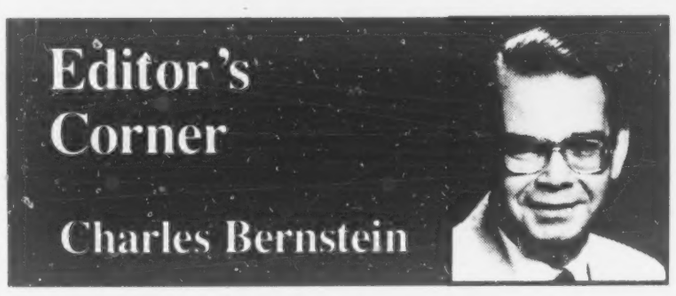
# The Rosenthal era: Gigantic impact

A monumental era would end with Jerrico chairman Warren Rosenthal's pending retirement if, as seems almost certain, an investment group's $620 million tender offer to acquire Lexington, Ky.-based Jerrico and its 1,525-unit Long John Silver's seafood chain is accepted.

Rosenthal, a giant of the food-service industry, has immensely impacted the fast-food segment, franchising, and educational programs. He has repeatedly confounded the Wall Street pundits, who at various times have written off LJS.




In expressing assurances last November that "our company is positioned for sustained growth in the 1990s," Rosenthal noted "the premature proclamations by others that the fast-food market is saturated and that the cost of fish has a long-term shackle on Long John Silver's Seafood Shoppes' future success."

For more than four decades with Jerrico, Rosenthal, now 65, has exercised a dominant influence. We doubt that another top restaurant executive today can equal this kind of tenure, stability and impact — all qualities desperately needed in the turbulent industry.

Rosenthal started with Jerrico in 1948, two years after it was formed, as a young man of 24. It had just two five-cent hamburger stands and a tiny eight-stool Jerry's sandwich shop.

He worked his way up to chief executive officer in 1957 and proceeded to launch a major franchising drive for Jerry's coffee shops, which eventually peaked at 80 restaurants. It was the era of McDonald's Ray Kroc, KFC's Harland Sanders, and Burger King's James McLamore. Rosenthal, too, was one of the first food-service franchisors, with Jerry's coffee shops spurting to 77 units. He took Jerrico public in 1969, and then he started switching the focus to Long John Silver's.

Rosenthal overcame periodic downturns in the business cycle and the seafood business over the past two decades and persevered when Wall Street and others kept counting LJS out as a major factor. In the process he made many tough decisions, which he felt had to be implemented to ensure the company's future.

Rosenthal has won many top honors, including Nation's Restaurant News' initial Multi-Unit Food-Service Operator of the Year award in 1971; the International Foodservice Manufacturers Association's Golden Plate Operator of the Year award in 1975; the International Franchise Association's (IFA) Hall of Fame award in 1986; and induction into the National Institute for the Foodservice Industry's (NIFI) College of Diplomates in 1986.

Rosenthal was a founder and president of the Kentucky Restaurant Association, president of the International Franchise Association in 1971, a board member of the National Restaurant Association board for a decade starting in 1973, and president of NIFI for an unprecedented two terms, from 1982 to 1985. He also helped establish Transylvania University's School of Hotel and Restaurant Management in Lexington, Ky.

More than these honors and statistics, however, Rosenthal has been active in establishing scholarships, in helping young people and industry veterans advance their careers, and in promoting industry causes. In particular, at NIFI he greatly broadened educational opportunities for young people in the industry, launching an educational foundation that continues to provide funds for a wide range of educational services for the industry.

Just as the spirited Rosenthal kept his company independent for so many years, he vigorously opposed the NRA's efforts to merge NIFI into its own activities. But in January 1987 NIFI became the NRA's Educational Foundation. Rosenthal remained convinced that NIFI could have continued more effectively as an independent group.

Rosenthal is immensely dedicated and can be stubborn. But he always makes his feelings clear about any individual, accumulating many friends and admirers as well as some enemies in the process.

Those who admire the man swear by him. He has produced a number of talented executives for the industry, in effect creating a group of "Warren's boys." When Howard W. Berkowitz, who was president of Jerry's, left Jerrico in 1979 to become president of A & W Restaurants, he did so tearfully and always said that Rosenthal was his greatest mentor and teacher.

Other executives of Rosenthal's also made it big in the industry. Theodore Papit, who was with Rosenthal for 13 years and climbed to Jerrico operations executive vice president, was named president of Dallas-based Unigate Restaurants last year. Arthur Gunther, LJS marketing vice president in the late 1970s, became Pizza Hut president and now is one of the "celebrity" Pizzeria Uno franchisees.

Others are not as enamored of Rosenthal — most notably, James Patterson, a co-founder of Long John Silver's, who was removed as LJS president in 1974, and Ernest Renaud, who departed in 1984 after 10 years as president.

But Rosenthal has stuck to his guns and produced results at LJS. Through the years companies have eyed Jerrico, one of the few remaining "independent" food-service chains, as an acquisition candidate. In late 1984 Pillsbury, General Mills, and PepsiCo all were said to be interested but did not want to pay the price asked.

When the current tender offer goes through, John E. Tobe, who succeeded Renaud as president and chief executive five years ago, will be in full charge. Rosenthal has been gradually loosening the reins and letting Tobe run things more.

To his lasting credit, Rosenthal was able to overcome the devastating effects of losing his three top executives, including executive vice president Richard Schoff, in a fatal 1972 private-plane crash. He brought in Renaud from Sky Chefs, then Berkowitz and others to mold a winning team.

Sensing the health and nutritional trends, Rosenthal has moved LJS in the past few years into a variety of broiled seafood items — a tactic that brought criticism from Wall Street because of the high costs involved. He has also overcome cod supply shortages and has diversified LJS' offerings without overtaxing the system. He takes particular pride in LJS' recent introduction of "a new quality whitefish that will cost less per pound than hamburger."

While virtually all the fast-food fish chain competition except Captain D's has faltered, Rosenthal has fashioned the only national seafood chain other than the Red Lobster dinner houses and is chalking up $800 million annual sales, compared with $400 million for Captain D's, although the latter holds a $660,000-to-$540,000 lead in average per-unit volume.

Still, Rosenthal may have the last laugh on his critics.

Like some of his contemporaries, he dabbled with specialty theme restaurants and dinner houses in the early 1970s but was smart enough to drop them to concentrate on LJS. In the last few years he has launched seven Florenz Italian dinner houses and a Fazoli's Italian fast-food experiment.

Rosenthal likely will spend some of his time on these favorite concepts of his as well as some time in the horse country in his native Kentucky that he loves so much. We wish him happiness and know that he will remain active in the industry to which he has given so much.

## LETTERS

### *Clearing the smoke on restaurant fires*

Editor, NRN:

Stephen Estrin's Aug. 7 viewpoint on restaurant fires was long overdue. As special markets manager for Ansul Fire Protection, I am well aware of the problem. However, a couple of misconceptions should be noted.

The National Fire Protection Association and Fire Equipment Manufacturers do not recommend using ABC-type extinguishers on deep-fat fires. Only BC-rated dry chemical or BC-rated wet agent is recommended.

Also, dampers in ducts are not recommended for dry-chemical and wet-chemical hood systems. Getting the smoke, heat, and flammable gases out of the kitchen is the reason for not wanting dampers in hood systems.

Finally, employees not trained in the use of hand portables should be trained to activate the fire suppression system first in the event of a fire, rather than attacking a grease fire with a high-pressure hand portable. The results of spreading burning grease can be expensive and dangerous.

**— A.W. Neumann**
*manager*
*Customer Services/Special Markets*
Ansul Fire Protection
Wormald U.S. Inc.

C5150-5

MUFSO

NEWSPAPER

*MUFSO schedule of events*

See pages F52-F56

*New Orleans Dining Guid*

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EDITOR'S CORNER

*mpic deal erican chefs*

Charles Bernstein/Page F3

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# Ponderosa ropes Bonanza

## *Metromedia deal rocks steak-house operators*

**By Bill Carlino**

Facing the prospect of competing against a 1,300-unit behemoth, budget steak-house operators are bracing for the shock waves of Ponderosa's planned acquisition of Bonanza.

The deal, orchestrated by Ponderosa's parent company, Metromedia Corp. of Secaucus, N.J., means the telecommunications conglomerate would control about one-third of the entire $4 billion steak segment.

The $70 million agreement sparked concerned reactions from chief executives of competing steak-house operations.

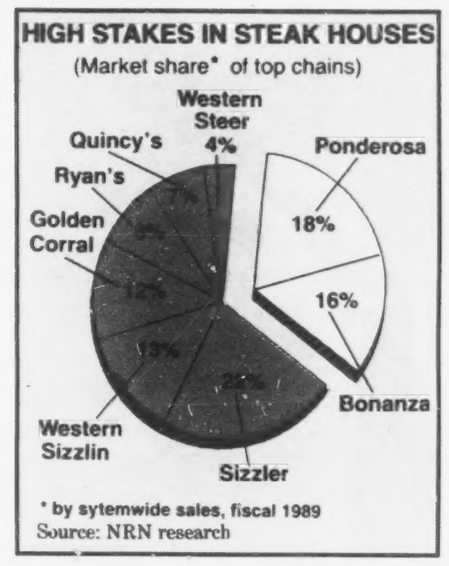
"Whatever their final plan, this definitely gives them more clout in the form of purchasing power and advertising," said Richard Bermingham, chief executive of Collins Foods International Inc. Collins operates the 630-unit Sizzler restaurants. "Steak operators will now have to keep watching over their shoulders."

Mike Stack, chief executive of the 530-unit Western Sizzlin', said his expansion plans into the Midwest and East Coast — area strongholds of both Bonanza and Ponderosa — could be affected by the merger.

"Right now we're pretty well entrenched in 13 states where we don't have a lot of competition from either chain," Stack said. "But once we branch out into those areas, that could change."

Ted Fowler, president of the 500-unit Golden Corral Steakhouses, said that although the possible integration of the two concepts will be formidable, it will take time before they're ready to con-

*(See **PONDEROSA**, page 161)*



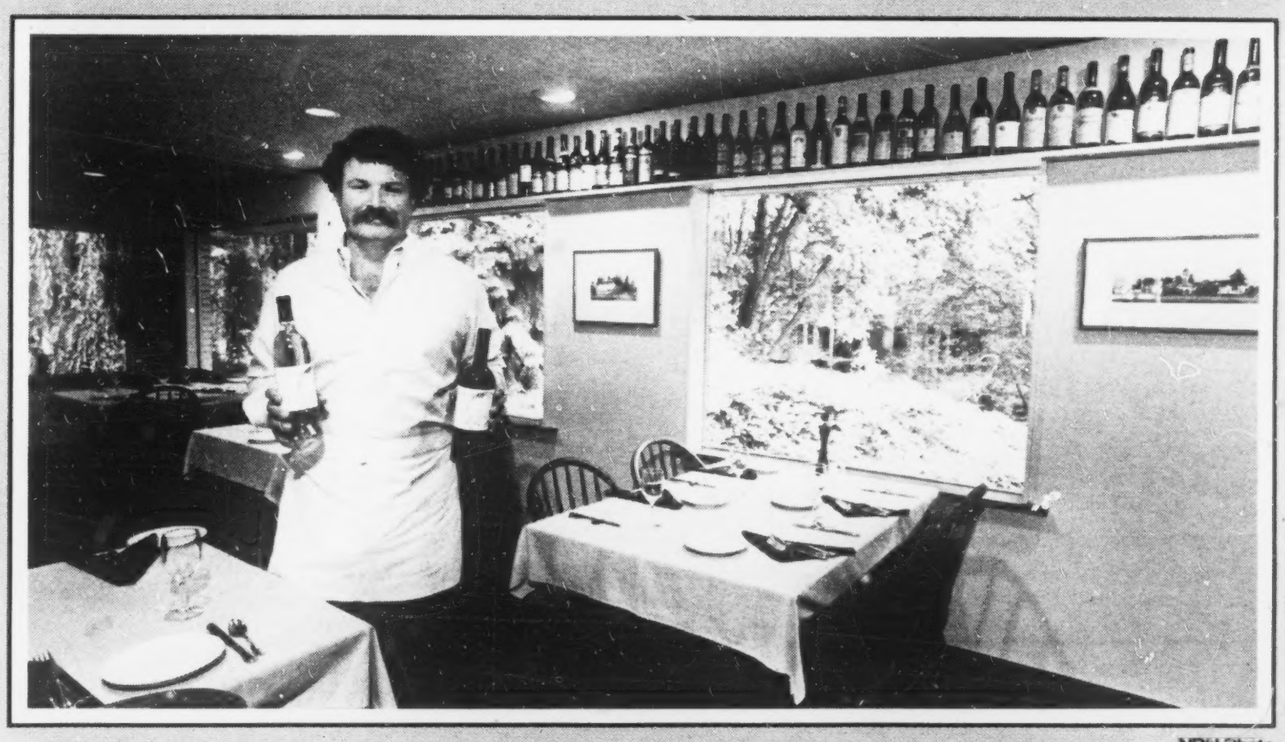

## IN FOCUS: WINERY RESTAURANTS

# FOOD & VINE

Food-service operators are getting an unexpected lesson in wine promotion as vintners across the nation open restaurants with innovative merchandising techniques.

While many wine makers have yet to find profits in the restaurant business, some of the leading winery restaurants are developing new food-and-wine combinations that are taking American regional cuisine to new heights of imagination.

**Full report, page F20**



NRN Photo

**Wine maker-restaurateur Peter Dow in the dining room of Cafe Juanita.**

## FOOD WATCH

### *Hook, line and taco*

SAN DIEGO — Authentically Mexican or creatively reinterpreted, the fish taco has become a trendy, hot-selling signature dish.

Rubio's Deli-Mex has sold more than 3.2 million fish tacos. Sandwiched in a soft corn tortilla and served with lime wedges, they include deep-fried pollack in a rosemary-garlic-flavored breading, shredded cabbage, Mexican salsa, and a mayonnaise-yogurt sauce.

The Pacifica Grill offers one with mesquite-grilled swordfish, sun-dried tomato salsa, and baby lettuces.

At George's at the Cove in La Jolla, mahi-mahi tacos are garnished with red and green cabbage, fresh salsa, guacamole and a caper-laced aïoli sauce.

**— Richard Martin**

# Glut trims profits for Florida operators

**By Jack Hayes**

ORLANDO, Fla. — The sun-filled skies that lure tourists by the millions here from every corner of the nation are starting to darken for the owners of Florida's 35,000 restaurants.

With competitors swarming in from all directions, like love-bugs on an August night, Florida operators attending the Southeastern Food Service Expo here said that oversaturation is forcing them to give away profits in order to stay in business.

"We're becoming our own worst enemy," growled Ralph Lupton, past president of the Florida Restaurant Association, who runs a two-unit barbecue-steak-house operation in the Tampa market.

Other operators among the more than 15,000 who convened here for the three-day show echoed Lupton's sentiments.

"There's far too much competition," complained Aaron Fodiman, president of The Kapok Tree Restaurants based in Clearwater.

"In every strip mall there are two or three restaurants, and I've counted 21 malls in

*(See **FLA.**, page 4)*

# Chief exec at Arby's is ousted

## *Move follows franchisee bid*

**By Rajan Chaudhry**

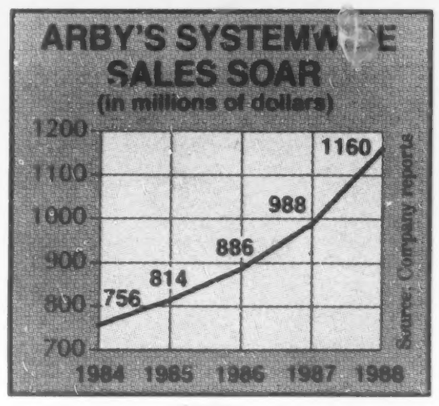
ATLANTA — Arby's chief executive Leonard Roberts was ousted from the nation's largest roast beef sandwich chain after breaking ranks with chairman Victor Posner over a franchisee buyout offer.

Roberts had already resigned his post as vice chairman of Posner's DWG Corp., Arby's parent company, in protest over the financier's refusal to consider a $200 million cash buyout offer from a group including Arby's largest franchisee, RTM Inc.

In resigning from DWG, Roberts said Posner rebuffed the offer without board approval and independently planned "a series of actions that will severely harm the Arby's system."

DWG denied the charges.

*(See **ARBY'S**, page 161)*



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Vol. 22, No. 37 Sept. 11, 1989

# NEWS DIGEST

## Pizza Hut puts pizzeria inside a Denver 7-Eleven

DENVER — Pizza Hut has installed a small kiosk-type pizzeria inside a 7-Eleven store here to assess the feasibility of selling pizzas via the nation's largest convenience-store chain.

The Pizza Hut kiosk sells medium- and single-serving-sized pan pizzas for off-premises consumption. An undisclosed percentage of gross sales is paid to the 7-Eleven unit in lieu of rent. The cost of constructing the kiosk was split between Pizza Hut and 7-Eleven.

Pizza Hut is also putting scaled-down pizzerias in airport concessions and contract-feeding facilities managed by Marriott Corp.

## Hamburger giants eye chicken-on-the-bone

DALLAS — After striking gold with chicken sandwiches and nuggets, several major hamburger chains are weighing the possibility of adding fried-chicken-on-the-bone to their menus.

McDonald's has just launched sales trials of fried drumsticks and other chicken parts in Dallas and Houston. The venture is part of the chain's ongoing effort to find new dinnertime draws.

Wendy's has offered bone-in chicken on the Superbar buffets of company units in the chain's home market of Dublin, Ohio. The fried poultry has been part of a home-style array that Wendy's has been assessing as a means to boost dinner traffic.

The addition of fried chicken would wing Kentucky Fried Chicken, which has already been stung by the burger specialists' introduction of poultry sandwiches and finger foods.

## Dunkin' suitor raises offer to $45 per share

RANDOLPH, Mass. — The Canadian partnership doggedly pursing Dunkin' Donuts has raised its bid for the baker to $45 per share, or $308 million in the aggregate, from $43 per issue, or $294 million.

The suitor, DD Acquisition, said Dunkin' "would have to show very convincing financial data for it to be able to justify paying a higher price." The sweetened offer came at a time when, according to Dunkin', DD was warning Dunkin' shareholders that the value of their stock would plummet if the takeover was thwarted.

Dunkin', in a prepared statement, said it would convene a meeting of directors to evaluate the revised offer from DD. The suitor was formed earlier this year by Kingsbridge Capital, a holding of Toronto millionaire George Mann, and Cara Operations, a Toronto-based contract feeder and restaurant operator.

## Skylark appoints Miller new Red Robin president

IRVINE, Calif. — Skylark Ltd., a Tokyo-based operator of 800 restaurants worldwide, has named William Miller the new president of Red Robin, Skylark's 54-unit hamburger chain and sole U.S. food-service operation.

Miller, formerly senior vice president of a major potato supplier, will succeed Jochi Ide, who will be promoted to vice chairman of Red Robin, Skylark said. The baton will be passed on Oct. 9, after the changes are confirmed by the Japanese company's board.

Miller will assume the president's office at Red Robin's headquarters here after a two-week orientation at Skylark's Tokyo offices, the parent company said.

## Rally's drive-thru chain files for stock offering

LOUISVILLE, Ky. — Rally's Inc., operator of the fast-growing Rally's double-drive-thru chain, said it has filed for an initial public offering of more than 1.7 million shares of common stock.

The company is selling about 1.5 million shares, with the remainder being sold by certain stockholders of the company.

Rally's operates and franchises about 160 double-drive-thru fast-food hamburger restaurants.

## Palacio Tzintzuntzan loses chef after a shark dispute

HOUSTON — Tony Baran, executive chef at the hot new Palacio Tzintzuntzan (pronounced seen-soon-saan) here, has quit, reportedly over a dispute with the restaurant's creator and main investor.

Baran, along with sous chef Scott Edelen and general manager Mitch Kwartler, quit Palacio Tzintzuntzan after an apparent argument with George O. Jackson Jr., who was said to have ordered the chef to provide a commercial photographer with a blackened shark dish not on the menu.

The 175-seat restaurant, open since May, features an East-meets-West menu. American Southwestern ingredients are prepared with Chinese and Thai cooking methods and served in Japanese presentations that Baran devised.

## Twistee Treat fails to engineer merger

NORTH FORT MYERS, Fla. — Twistee Treat, the troubled soft-serve ice-cream chain based here, said that negotiations to merge with an unidentified Canadian concern have collapsed.

Before filing for bankruptcy protection in July, the operator said it might seek a merger with a privately held Toronto company in an attempt to infuse the 44-unit snack chain with much-needed cash. Twistee has lost $14.8 million since its inception in 1983.

Since that time, the franchisor has been peddling its assets, including company units.

## Burger King to underwrite building of 10 high schools

MIAMI — Burger King Corp. said it is working with the U.S. Department of Justice and Cities in Schools Inc. to establish 10 fully accredited high schools, called Burger King Academies, to combat the nation's chronic dropout problem.

Expected to begin opening this fall, the schools will offer intensive instruction to drop-out-prone students in the ninth through 12th grades.

Each Burger King Academy will enroll up to 125 students, and classes will be limited to 15 to 20 students.

The first academy is scheduled to open in Miami this week. Seven others will open in early fall in Sacramento, Long Beach and Inglewood, Calif.; Columbia, S.C.; Palm Beach County, Fla.; Philadelphia; and San Antonio, Texas. Two other sites will be named shortly and will open by spring 1990, Burger King said.

## NRA, MADD bury hatchet to team up on 2 fronts

WASHINGTON — The National Restaurant Association and Mothers Against Drunk Driving have suspended their long-standing feud to work together on two programs aimed at curbing alcohol-related automobile accidents.

Under an accord that the NRA termed "almost historical," the groups have agreed to jointly pursue passage of state laws that would discourage minors from using false identification to buy alcoholic beverages. Although the widespread practice is already forbidden, the harshness of the penalties often prompts law enforcement officials to balk at meting out punishment. The NRA and MADD would seek "reasonable" redress, such as the revocation of a minor's license, an NRA spokesman said.

In addition, "they want us to join with them in developing a national designated-driver program," the NRA spokesman said. Groups in many municipalities have already implemented such programs, in which one member of a night-tripping group forgoes drinking to safely transport the rest of the crowd. But the setup varies widely from locale to locale.

Because the majority of eating establishments serve alcoholic beverages, the NRA and MADD have long been at odds. Although their agreement marks a breakthrough, "there are areas where we would never be able to work together," the spokesman said.

FINANCIAL NEWS

# Wall Street comeback leaves food stocks behind

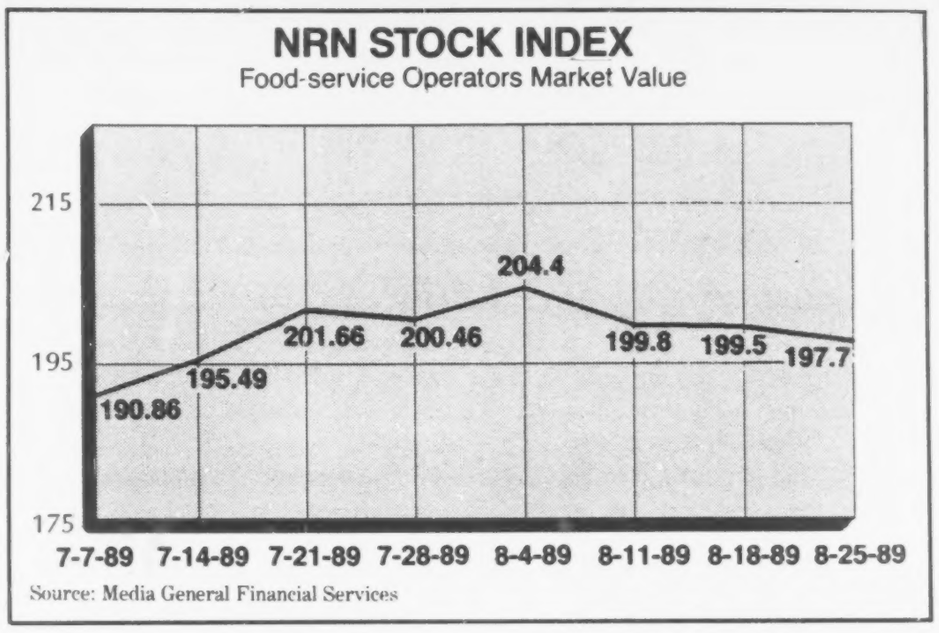
**By Milford Prewitt**

NEW YORK — While a stock market rally was pushing overall stock prices to a record-breaking high in August, restaurant stocks gave up some of the big gains they had achieved earlier in the year.

Restaurant stocks were left in the dust as a strong bull pushed the Dow Jones Industrial Average beyond its pre-October 1987 levels to close Aug. 24 at 2,734.64, a 56-point, 2-percent increase.

The NRN Stock Index, the broadest gauge of restaurant stock performance, has been running about 25 percent higher than year-to-date tallies, but declined about 3 percent since reaching a high in early July.

The Dow's previous high — which occurred nearly two years to the day in 1987 on Aug. 25 — was 2,722.42. Two months later, the stock market collapsed 508 points on a single day.



Source: Media General Financial Services

> *'I don't know if investors perceive some industry problems, but what the market is clearly showing is that investors are confident about the big, highly-capitalized companies and are backing away from consumer-oriented stocks.'*

"I don't know if investors perceive some industry problems, but what the market is clearly showing is that investors are confident about the big, highly-capitalized companies and are backing away from consumer-oriented stocks," said Joseph Doyle of Smith Barney in New York.

Bryan Elliott, a restaurant industry analyst for Robinson-Humphrey Co. Inc., in Atlanta, agreed, saying, "For the first six months of this year, restaurant stocks were viewed as a defensive, recessionary-resistant, non-economically sensitive investment."

"But the market psychology has swung back towards the cyclical stocks that are economically sensitive, based on the broad macro-economic assumption that the probability of a recession has diminished," Elliott said.

Some analysts say the widely publicized disclosures of financial and market setbacks by such industry players as McDonald's, Pantera's Corp., and Morrison Inc., discourage investment in the industry.

For instance, Pantera's Corp. is offering to sell some of its Pizza Inn restaurants to raise capital, Morrison's flat earnings led to a $4 tumble in its stock price, and McDonald's second quarter sales were flat.

When McDonald's reported disappointing financial results in July, said Caroline Levy of Shearson Lehman Hutton in New York, "it sent a signal that if the industry leader is doing poorly, maybe that's the case for the whole industry."

Steven Rockwell, an analyst with Alex. Brown in Baltimore, added that investors were also worried about declines in same-store growth in a period when yearly sales should be peaking.

"The market pays a lot of attention to same store sales growth, and since the beginning of the quarter, the same-store sales trend has been flat," Rockwell said. "This summer we have seen a slowdown in sales, most visibly with McDonald's, and I think that is tainting others."

Howard Hansen, an analyst with Kidder, Peabody, said he believes there are enough stellar performers to encourage investment. He noted that Sbarro, Chili's, and Cracker Barrel are outperforming industry averages.

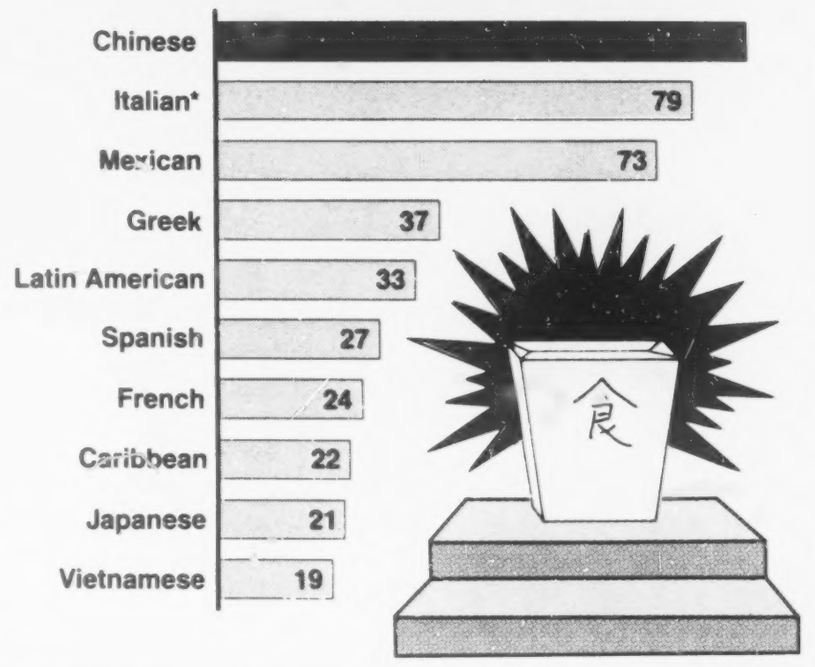
Doyle, the Smith Barney analyst, is also mildly upbeat about the long-term prospects for restaurant investment. He said if the bull market continues to favor the large, capital-intensive companies, the "bullish sentiment" will spill over to the medium and smaller companies, like those that dominate the restaurant industry.

## FACT FILE

*A look at the statistics shaping the industry*

### CONSUMERS VOTE CHINESE FAVORITE ETHNIC FOOD

**(percentage of respondents who have eaten the following types of food on or off premises sometime in the past, and eaten them on or off premises in the past month)**



Source: National Restaurant Association

*Excludes pizza

## FOOD PRICE OUTLOOK

# *Canned cling peach pack drops*

California canners didn't get the **cling peach** crop they were counting on earlier in the year. As the pack heads toward completion, it appears it will be 5 percent or 6 percent less than last year. In addition, sizes are running smaller. Expect prices to hold fairly steady through to next spring.

Expect a **fruit cocktail** pack volume about the same as last year. But prices may be higher. At least one ingredient, **pears,** is down in yield. In addition, most fruit is softer than usual, not ideal for fruit cocktail or fruits for salad. Pears are moving up substantially in price, reaching the highest price in the last three decades.

**Imported canned hams** are moving up in price . . . **Turkey** demand is running ahead of production. Although stocks are strong, prices may be moving up before the holiday season . . . The **canned tuna** pack is up from last year, although imports are barely holding their own. Expect lowering prices . . . Breakfast operations shouldn't expect lower **egg** prices; demand still outpacing supply.

**Banana** imports are increasing and prices are dropping. Prices may stay down through the fall . . . Don't look for **dry bean** prices to fall much on a bigger harvest than last year. It's still below normal, and export outlook continues strong.

The **canned tomato** pack, which will end about mid-October, is running better than 35 percent higher than last year. Expect prices to drift lower . . . **Frozen broccoli** prices will likely stay up, because fresh market prices have been so good that freezers have been paying premium prices for what's available for processing.

**— Patt Patterson**

## NRN FINANCIAL DIGEST

### Collins net income gains 4%

LOS ANGELES — Collins Foods International Inc. said poor results from its Kentucky Fried Chicken operations partially offset gains from its Sizzler and International divisions to hold the company to a 4 percent rise in net income, to $7.8 million, for its first quarter ended July 23.

Revenues increased 1 percent year-over-year, to $130.9 million, for the latest quarter.

Collins operates 207 KFC restaurants in the United States, 84 restaurants internationally, and 634 steak, seafood and salad Sizzler restaurants through its 64 percent owned Sizzler Restaurants International Inc.

Collins blamed weakness in its key Southern California market and high broiler prices for the substantially lower operating income and flat sales logged by its KFC unit.

Despite a slowdown in its core Southern California market, Sizzler Restaurants International Inc. posted a 13-percent increase in net income, to $6 million, on an 8-percent rise in revenue, for its first quarter ended July 23.

### Profits fall at Family Steak Houses

NEPTUNE BEACH, Fla. — Family Steak Houses of Florida, a franchisee of Ryan's Family Steak Houses Inc., said high food and labor costs contributed to a drop in net income of 52 percent, to $220,400, on a 41 percent rise in sales, to $11.5 million, for its second quarter ended June 28.

The company said the higher costs were the result of an effort to improve service.

"While these measures have been very costly and adversely affected the net margins during the second quarter, we feel that this additional cost will more than pay for itself in the long run as indicated by recent sales trends," said company president Eddie L. Ervin Jr.

For the six months ended June 28, the company's net earnings fell 30 percent, to $716,800, from last year's first half, partly because of an accounting change that boosted the year-ago figure.

Sales increased 48 percent, to $23.1 million.

### Old Spaghetti Warehouse income up

GARLAND, Texas — Old Spaghetti Warehouse Inc., which operates a chain of 13 midscale Italian dinner houses, said net income advanced 138 percent, to $600,246, on a year-to-year increase in revenues of 22 percent, to $7.6 million, for its fourth quarter ended July 1.

The company opened two restaurants during the calendar year.

For the July-ended year, net income increased 71 percent, to $1.9 million, on a 20 percent gain in revenues, to $28 million.

Old Spaghetti Warehouse recently amended a registration filed with the Securities & Exchange Commission to reduce an offer of common shares to 560,000, after a shareholder withdrew 120,000 shares from the offer.

# FOCUS | OPINION

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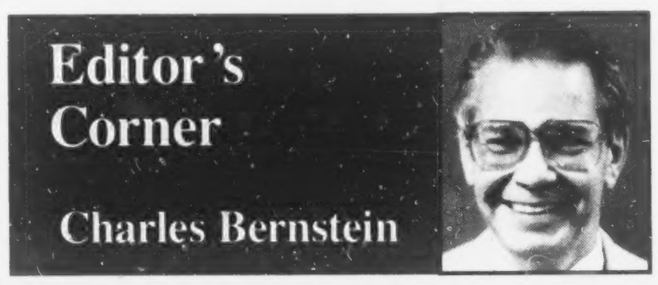
# A new Olympics deal for American chefs

American chefs have soared in achievement and stature over the last several years. They have become celebrities and restaurant owners, so that the term owner-chef is a common one rather than the rarity it was years ago.

In fact, chefs like Spago's Wolfgang Puck, Lafitte's Landing's John Folse, and K Paul's Paul Prudhomme are better known around the country than most restaurant owners or chain executives. They have made themselves exceedingly visible while becoming stars in their own right.




Almost solely because of Prudhomme's reputation as the father of Cajun cooking, crowds jammed a temporary K Paul's that he opened in New York City a few summers ago, with consistent waits of two or three hours. Now that Prudhomme has permanently opened K Paul's on lower Broadway in New York's Manhattan, the lines are again endless during the six weeks that he personally is there. Nor has it ever been easy to get into his original K Paul's in New Orleans.

Numerous other American chefs are also emerging on the national and international scene. One place where they gain recognition is the quadrennial Culinary Olympics in Frankfurt, West Germany, and many are looking forward to the next competition in October 1992.

Unfortunately, some U.S. authorities have sought to downplay the Culinary Olympics by claiming that they are not Olympics, just "friendly events." They should also signify the emergence of American cuisine and American chefs as an international force. The competition should be taken every bit as seriously as the Summer and Winter sports Olympics.

Once regarded as mediocre on the world scene, the five-member U.S. national team won the prestigious hot-food dinner (for paying customers) competition at the 1984 and 1988 Culinary Olympics. It finished a close second to Canada in 1984 in the combined scoring of all major events and just behind Switzerland and West Germany in 1988.

Meanwhile, the 10-member U.S. regional team won 15 gold medals in 1988, and a number of American corporate teams also won medals.

Ferdinand Metz, president of the Culinary Institute of America (CIA) and U.S. team manager three straight times, was justifiably proud of the group. Certainly, nobody could fault its ability, intensive training, preparation and performance.

It would be stretching the imagination to say that America must finish first in all competitions, or it is a total loss. Growth and development are important factors. Furthermore, as long as the U.S. is first in the main hot-foods event and does well in the other main categories (hot food displayed cold, cold platters and pastries), this seems to be a happy situation.

Then why break up a winning combination? This is a question vehemently posed by Metz in the aftermath of his replacement as team manager.

The answer is that as great a job as Metz has done, the team has become too in-bred, with the same team members selected each time. Surely, out of the hundreds of leading American chefs, others can be found to represent the U.S. just as well or maybe even better for the 1992 Olympics.

Of 150 chefs who went through two years of tryouts for the 1988 Culinary Olympics, a national team of five chefs finally was selected. Four were repeats from the 1984 team: Timothy Ryan, the CIA's culinary education director, team captain; Mark Erickson, a CIA department chairman; Harmut Handke, executive chef of The Greenbrier and a member of both the 1980 and 1984 teams; and Dan Hugelier, executive chef of the Amway Grand Plaza Hotel, Rockford, Mich.

The only new member of the national team was Christopher Northmore, the executive pastry chef at the Cherokee Town & Country Club, Atlanta, who was selected for his dessert expertise.

Besides being manager, Metz was one of five judges who chose the team. We have no doubt of his complete integrity in the selection process, but we feel a change will be beneficial. In one sense the CIA's dominance on the U.S. team is a tribute to that school's quality. Yet it is too much of a good thing.

We are pleased that the U.S. Culinary Team Foundation, consisting of the American Culinary Foundation of chefs and the National Restaurant Association, has had the courage to select a new manager and switch the headquarters away from the CIA. Keith Keogh, Disney World's EPCOT Center executive chef, is the manager. Thus the team's home base will be in Orlando, Fla., rather than in Hyde Park, N.Y.

Ted J. Balestreri, former NRA president and the new chairman of the Culinary Team Foundation, has aptly pledged that the 1992 team will be organized so that "every region of our great country as well as the foods indigenous to these regions will be proudly represented."

Some sources have insisted that regional tryouts for the team were not utilized and that bias was shown in team selection. If that were the case, the bias might have been built into the system rather than reflecting deliberate favoritism.

Four regional tryouts have already been slated for early 1990, and the national team for the 1992 Culinary Olympics will be composed of the top-scoring chef from each of four regions and the leading overall pastry chef, in what Balestreri calls "a true test of the best and brightest of our industry."

Other top-scoring chefs from each region will be named to their respective regional teams: Northeast, Southeast, Central and West.

Next time not only is the best team more likely to be chosen in each case; the team will be more representative of the best chefs from each region.

## *LETTERS*

### *Bar Management calls for a toast*

Editor, NRN:

I would like to tell you how much I enjoy reading Bar Management in Nation's Restaurant News. Our company is involved in marketing and promotions for hotels, restaurants and nightclubs nationwide, and that is one of the reasons we look forward to reading it.

Please extend my compliments to special editor Mort Hochstein and everyone involved in the publication.

**— Patrick Henry**
*president*
Patrick Henry Creative Promotions
Stafford, Texas

### *Students need chance to prove capabilities*

Editor, NRN:

I am currently a senior at Ashland University in Ohio. I am enrolled as a hotel and restaurant major and am the president of the hospitality club. I read your magazine every week and share it with the members of the club.

I have become very interested in the articles and editorials written by other students talking about job recruiters and interviews that they go through. I strongly agree that we are properly prepared, and then the recruiter lets us down by not being professional or has a lack of knowledge about the company he is representing.

There has been something going on in the industry that has been a very big issue on my mind as well as the minds of others I know. The question is addressed to everyone in the industry: "Why aren't hotel and restaurant management majors hired for summer and semester internships when you will hire anyone off the street?"

As a hotel restaurant major I am offended by this. I feel that I am prepared to work in a professional manner and also have a basic knowledge of the industry. We also need the experience so that we can have something on our résumé to help in our success and to carry on the industry for years to come.

Internships last only a few months, although there is a very high percentage of graduates returning to the place of their internship. Can you guarantee that the person off the street will last longer than the intern?

I have seen too many friends change majors because companies would not hire them for lack of experience or the internship period was too short. What is going to happen this year when we interview for permanent employment? Can we get good jobs despite the poor quality of some internships? What experience do we have?

Finally, all that I am asking is that you remember that we are out there willing to work and prove ourselves. You need to give us that chance. So let's work together!

**— John Gruber**
*student*
Ashland University
Ashland, Ohio

# Ponderosa ropes Bonanza

(Continued from page 1)
duct business as one chain.

"They both have a solid cadre of franchisees, and that will help," he said. "But their size won't alter our strategy. We just have to do what we've been doing right along."

The Bonanza acquisition was Metromedia's second major raid in the restaurant industry in as many months.

Previously, the telecommunications conglomerate sealed an agreement to acquire up to 90 percent of the Dallas-based S & A Restaurant Corp., the operator of the Steak & Ale and Bennigan's dinner-house chains.

Following weeks of back-room negotiations, Metromedia struck the definitive agreement that is expected to be finalized in 30 to 60 days. Metromedia Corp. will tender $10.25 for each outstanding share of USA Cafes, parent company to Bonanza. The stock had been trading at $9 to $10 per share before the deal.

"Metromedia has shown in this deal and others that it's a very aggressive company and serious about our industry," said Jeff Rogers, chief executive of the Dallas-based USA Cafes. "I believe that this is a real positive step for both operations."

Rogers, however, declined to comment on major issues arising from the sale, such as the future of both concepts, solutions to the problem of geographical overlap between Ponderosa and Bonanza units, and the personnel makeup of a new management team.

**A Ponderosa steak-house unit.**

Rogers' counterpart, Ponderosa's chief executive J. Michael Jenkins, also offered no comment.

Ponderosa's acquisition of Bonanza carries more than a trace of irony, as four years earlier Ponderosa and its then chief executive, Gerald Office, spent in excess of six figures erecting a legal blockade against Bonanza's $16 per-share, $155 million takeover offer for the chain.

Three weeks ago USA Cafes issued a statement confirming industry rumors that it had begun negotiations to sell the company. Reportedly, the Bonanza sale discussions were sparked by Sam and Charles Wyly, co-founders of the 25-year old chain. Together, the Wylys own 47 percent of the USA Cafes stock.

For the 1989 fiscal year, Ponderosa reported systemwide sales hit $710 million while Bonanza's are projected to approach $620 million.

Bonanza's franchisees, who account for about 95 percent of the chain, voiced their reactions regarding the sale.

"I think there will have to be some dramatic changes to integrate both concepts at this point," said Gary Fears, a 52-unit Bonanza franchisee in St. Louis. "In this city alone there are at least 12 situations where both concepts are literally across the street from each other. But any type of plan would just be speculation at this point."

**A Bonanza restaurant unit.**

Bill Johnson, president of the Bonanza area Developer's Association and a 50-unit franchisee in Nashville, Tenn., doubts that the new management would pit both chains against one another.

"You always hope that when an acquisition of this caliber takes place, things will always be better," he said.

Roger Lipton, who tracks the restaurant industry for the New York firm of Ladenburg Thalman, feels that the purchase is a strategic one for Metromedia and its billionaire chairman, John Kluge.

"He [Kluge] could really make something of Ponderosa, which had been mismanaged for years," Lipton said. "With Bonanza, he gets a good management team in addition to profitable stores."

Steven Lewis, president of the Ponderosa Franchisee Association and a 38-unit franchisee, believes that the potential melding of the two concepts would create good synergy.

"You can't help thinking positive when you look at the whole picture," Lewis said. "Now the companies will not be splitting dollars but combining dollars. There will be more signage and more national exposure."

# Arby's says no to buyout

(Continued from page 1)
Roberts, who is widely credited with engineering Arby's turnaround, also stated in his letter of resignation that Posner's actions "greatly enlarged" his concerns about DWG. He complained of an inability to "exercise independent judgement" as a director as well as a lack of duties, authority, responsibility and access to information about DWG as its vice chairman.

In denying the allegations, DWG senior vice president Renee Mottram said, "It is our opinion that the statements contained in the letter were untrue in all material respects."

Meanwhile, the bidding group of eight franchisees, which controls nearly one-quarter of the 2,100-unit Arby's system, said it was prepared to turn up the heat on the board of directors, shareholders and lenders of DWG, which has owned Arby's since 1984.

In its original letter to Posner, the group, R.B. Partners Ltd., said it was deeply concerned about the mounting legal and financial problems facing Posner and his Miami-based holding company.

DWG has spent the past five months attempting to fend off a $572 million hostile takeover bid by New York-based Granada Investments. Two other companies controlled by Posner are in bankruptcy, and Posner himself has been plagued with legal problems, including a 1987 conviction for income-tax evasion and allegations, levied last fall by the Securities & Exchange Commission, that he tried to conceal a stock purchase.

"We believe that these problems will lead either to the sale of Arby's Inc. to another party or the inability of DWG to support adequately the growth plans of Arby's Inc. and its franchisees. Neither of these conditions is acceptable to us," the R.B. Partners letter said.

"We are convinced that the present circumstances of DWG and Victor Posner are potentially threatening to the future of the Arby's system and that the best way to ensure our future is through franchisee ownership of the system," the letter said.

By going public with the bid, the group hopes to discourage other suitors.

"Since no other bidder can be assured of the full support of Arby's franchisees and the management of Arby's Inc., we do not believe that any other bidder will be prepared to pay as much as or a higher price for Arby's Inc. than will R.B. Partners," the group's letter said.

Thus far, Posner has refused to meet with R.B. Partners to discuss the offer, said Dennis Cooper, senior vice president of RTM Inc.

"I personally think the buyout is a great idea," said John Parnell, a seven-unit Arby's franchisee from Georgetown, Texas, who is not a member of the partnership.

R.B Partners vowed in its letters to Posner and franchisees that, if successful, it would give all franchisees the opportunity to purchase shares in the company that would own Arby's Inc. on the same basis as R.B. Partners will buy them.

"If I had an opportunity to buy in at a good price, I would do it," Parnell said.

Not so for Sybra Inc., Arby's second-largest franchisee, with 135 units, said Charles Hyslop, the company's president and chief executive.

"We're real happy with the way we're growing right now," Hyslop said. "We think the best use of our money is to plow it back into the Sybra chain to keep it growing."

Hyslop also said that his company has no interest in becoming a minority shareholder in a company, and that even if it were interested, the disclosure and shareholder approval restrictions placed on Sybra as a public company would only serve to hamper the franchisees' negotiations.

Hyslop did say he would prefer to see Arby's Inc. in the hands of franchisees rather than some outside company, but added that any buyout poses a risk for the chain.

"Even with those Arby's franchisees, that $200 million-plus has to come from somewhere — whether it's borrowed or whether it's from deep pockets." Hyslop said. "And if it goes toward buying out the franchisor, then it's not available to grow the franchisee system. If that's the case, then I wonder, Well, would it be better put to use in growing the system?"

In just three years, the Roberts-led management team, which was installed by Posner, 71, has improved systemwide sales by 50 percent, to $1.2 billion.

In 1988, Arby's posted operating profits of $20.7 million on revenue of $153.8 million.

The partnership had maintained that the pressures on Posner and DWG and Arby's relatively low compensation of key officers would result in a loss of current management. They pointed to the recent departure of chief operating officer Ira Hermann.

The partnership stated in its letter that it had intended to offer long-term employment contracts and an equity stake in the new company to all Arby's top executives.

And it predicted the loss of by management.

"This team has great talent and a great track record," the partnership said. "We do not think Arby's can retain them for long unless the present ownership is replaced by a stable, constructive ownership situation and unless an employment arrangement is put in place that rewards them properly for the value they are creating for everyone else in the Arby's system."

Hyslop, of Sybra, termed R.B Partner's offer of $200 million "in the ballpark."

Included in R.B. Partners are Paul T. Bailey; Robert L. Davis; Lunan Corp.; Charles, George and Myron Nadler; Restaurant Management Inc.; Rochelle Holding Co.; RTM Inc; and Joseph G. Smaltz.

Roberts was not available for comment.

# Rax eases royalties for franchises

(Continued from page 3)
taking action.

"He's certainly gotten my attention," said Douglas of D.H.D.

It might bother some people, but the system needed something like this," Benson said.

"I'm very pleased with what he's been doing," Barney said.

The new fee structure is Hermann's most decisive action since he joined Rax. But the former Arby's operations specialist has also added several new products that have collectively hoisted sales at company units by 6 percent year-over-year, according to Hermann.

"We threw in curly fries, which now account for 9 percent of sales, and express salads for our drive-thrus," he said. The prepackaged salads, which were added long ago by such competitors as McDonald's, Arby's and Burger King, account for 3 percent to 4 percent of Rax's sales, Hermann said.

Similarly, "we added a grilled chicken sandwich," he said. "It's a mesquite-flavored chicken breast topped with lettuce, tomato and mayonaisse, served on a whole-wheat bun. It's doing 13 percent of sales. The profits have been weakened by the rising cost of chicken, but it's helped us."

A slew of fast feeders added a similar product during the second quarter of the year.

Rax has been wheezing since the summer of 1988, when the chain's signature food bar suddenly fell out of favor with consumers. Sales plummeted by an estimated 17 percent.

Under Hermann's predecessor, Larry Ritter, Rax attempted to return the chain's focus to sandwiches. But the system continues to suffer from widespread discounting by competing systems, according to Hermann.

CS150-5

FOCUS
A chef's kitchen is his castle
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EQUIPMENT
Dispelling old myth on the microwave
Patt Patterson/Page

BAR MANAGEMENT
rts Rock
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# Temperance crusade picks up speed

## *Sobriety-minded legislation grabs more states' attention*

**By Peter Romeo**

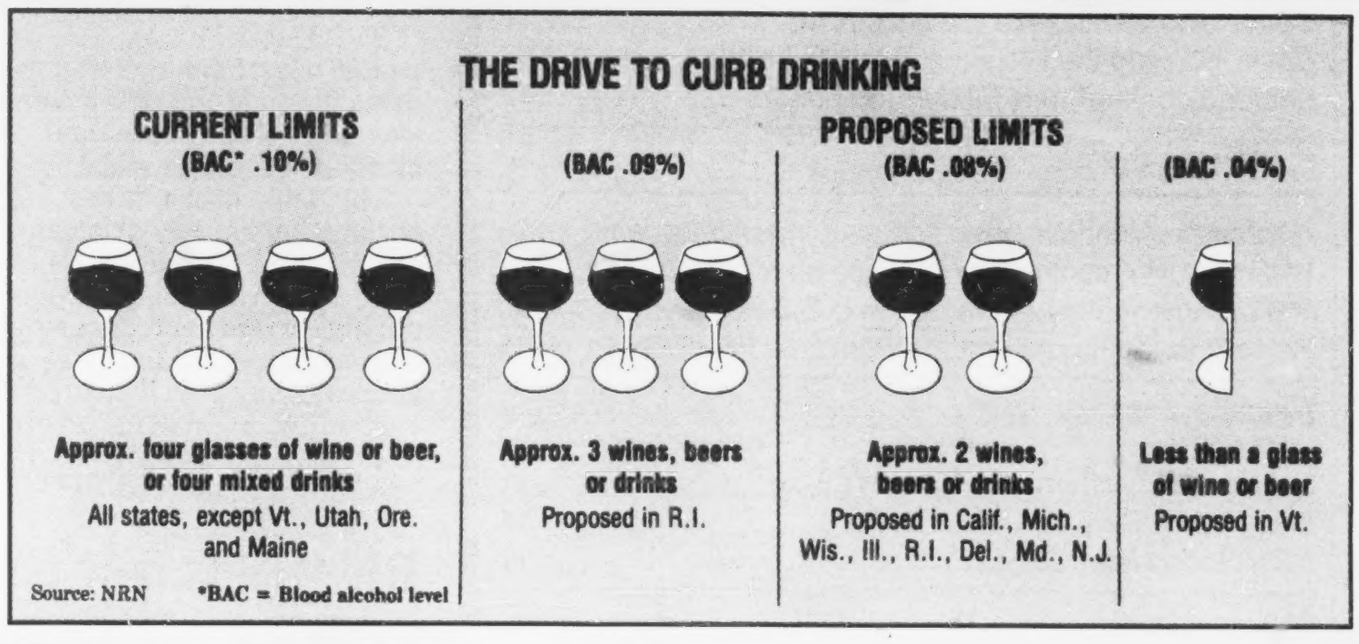
The temperance movement that quashed alcoholic-beverage sales in the mid-1980s is regaining momentum, with many states seeking to curb drunken driving by discouraging consumption at restaurants and other liquor-serving establishments.

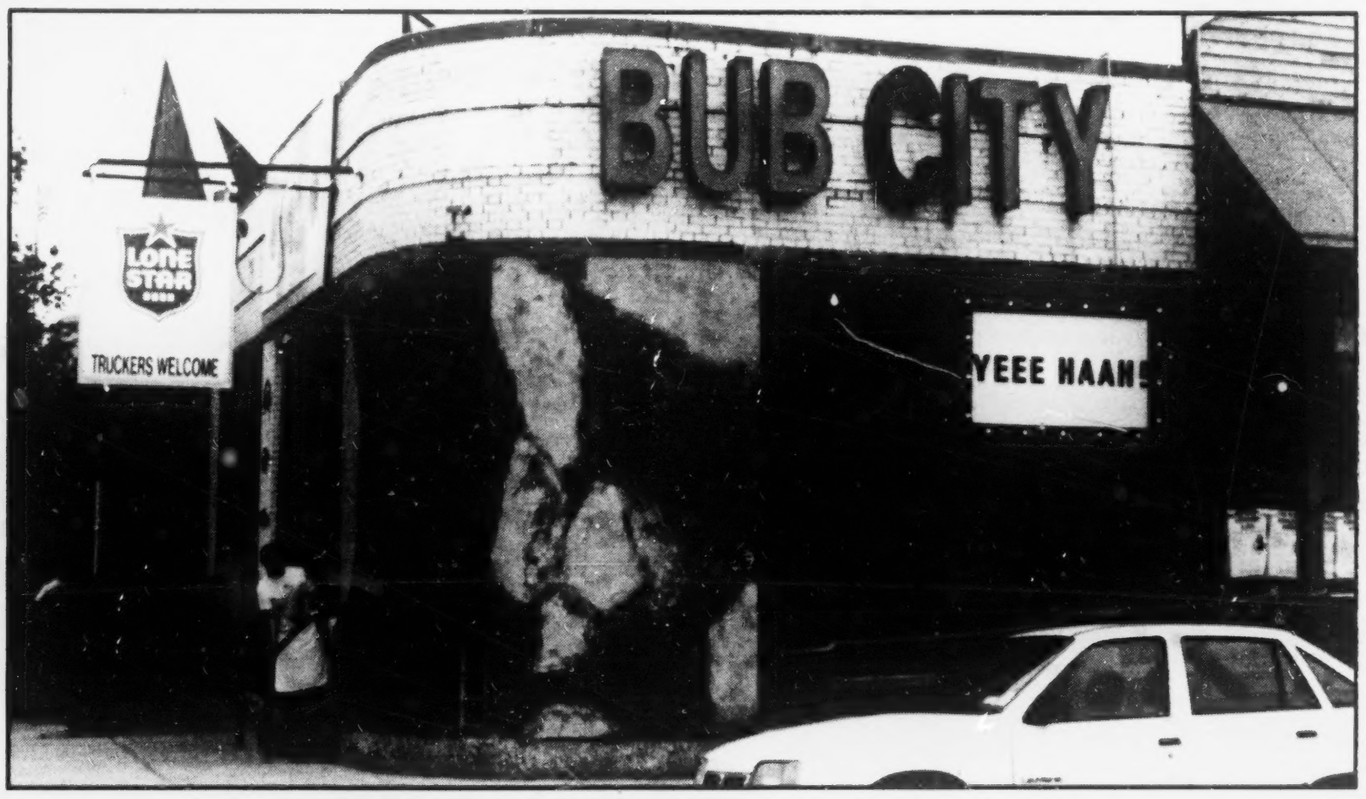
"It's 1984 all over again," said Jeff Prince, senior director of the National Restaurant Association.

Vermont recently became the fourth state to reduce the amount of alcohol a patron can legally consume before driving home, and California is poised to follow suit. Under the tougher regulations the average restaurant customer could be arrested for drunken driving after having three glasses of wine with dinner.

"It's going to hurt, no doubt about it," said Stan Kyker, ex-

*(See **STATES**, page 71)*


THE DRIVE TO CURB DRINKING
CURRENT LIMITS
(BAC* .10%)
PROPOSED LIMITS
(BAC .09%)
(BAC .08%)
(BAC .04%)
Approx. four glasses of wine or beer, or four mixed drinks
All states, except Vt., Utah, Ore. and Maine
Approx. 3 wines, beers or drinks
Proposed in R.I.
Approx. 2 wines, beers or drinks
Proposed in Calif., Mich., Wis., Ill., R.I., Del., Md., N.J.
Less than a glass of wine or beer
Proposed in Vt.
Source: NRN
*BAC = Blood alcohol level




**Richard Melman's Bub City, a Southern crab shack and barbecue roadhouse in Chicago.**

# Arby's rocked by exec firing

**By Rajan Chaudhry**

ATLANTA — The Arby's restaurant system, one of the great turnaround stories of the late '80s, has been rent into warring factions by the ouster of its president, Leonard Roberts, and his replacement by New York restaurant baron Irving Riese.

Riese's appointment is evoking cries of outrage from franchisees, already frantic over the firing of Roberts. They say Riese's operation of competing franchises poses a serious conflict, that he has little experience as a franchisor, and that his intentions are to own, not manage, Arby's Inc., a subsidiary of DWG Corp., which is controlled by finan-

*(See **ARBY'S**, page 4)*

**Riese**

**Roberts**

**The tangled web of Victor Posner**
See story on page 4

# Honky tonkin' hits Chicago at Melman's new Bub City

**By Carolyn Walkup**

CHICAGO — Bub City, the newest Lettuce Entertain You Enterprises Restaurant, gives Chicagoans a taste of both a Southern crab shack and a Texas barbecue honky-tonk.

While crab houses — like Bob Chinn's Crab House in suburban Wheeling, Ill., and LEYE's own Shaw's Crab House — have proved that Chicagoans love crustaceans, the Southern flavor is emerging as a variation on the theme. The Old Carolina Crab House, operated by Dan Rosenthal and Cathy Newton, opened last June, and veteran restaurateur Mel Markon plans to open a Southern barbecue restaurant here this winter.

Like everything in Texas, Bub City is big — 600 seats spread throughout several rooms — making the renovated auto parts shop the largest restaurant in the LEYE restaurant group of more than 25. The music, sometimes live and sometimes recorded, is loud, ranging from Texas rockabilly to Louisiana zydeco. And, as in all restaurants with Richard Melman's touch, the attention to detail is remarkable.

*(See **MELMAN**, page 71)*

**FOOD WATCH**

## *Football feeding frenzy*

**What do you feed a ravenous 280-pound professional football player after a grueling practice session?**

**These days the answer is poultry and seafood.**

**According to ARA Services, which handles food service at the summer training camps for five National Football League teams, the players' eating habits have veered from the traditional staples of meat and potatoes to more fish and white meat.**

*(See **FOOD WATCH**, page 71)*

CHARLES BERNSTEIN: BLACKS FACE BARRIERS IN EXEC ASPIRATIONS — Page F3

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MUFSO Wrap-up . . . . . Oct. 2
Decadent Desserts . . . . . Oct. 9

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Vol. 23, No. 38 September 18, 1989

# NEWS DIGEST

## GM eyes Oriental concept; exec vp Hattaway resigns

NEW ORLEANS — General Mills Restaurants Inc. is exploring the possibility of developing an Oriental restaurant concept, president Joe Lee confirmed at the 30th annual Multi-Unit Food-Service Operators (MUFSO) conference here.

Meanwhile, General Mills Restaurants executive vice president William Hattaway has resigned to form his own company, Today's Restaurants Concepts Inc. Hattaway, a 16-year General Mills veteran, also was president of Red Lobster International.

Kress Muenzmay has been named general manager of Red Lobster Japan, but Hattaway's other duties have not been assigned, a company spokesman said.

An Oriental dinner house is the top prospect among several concepts the company is looking at, Lee indicated. Other possibilities include a Spanish dinner-house concept.

## Illinois bans 'happy hours' in bid to curb alcohol abuse

SPRINGFIELD, Ill. — The state has passed a law banning two-for-one "happy hour" drink specials and other promotions commonly used by restaurants and taverns to boost alcoholic beverage sales.

The law, which takes effect immediately, outlaws selling two drinks for the price of one; boosting the alcohol content of drinks without increasing the price; reducing drink prices during certain hours; pouring unlimited drinks for one price; holding free drink promotions; and awarding free drinks as contest prizes.

A slew of states banned happy-hour promotions during a drunken-driving crackdown in the mid-1980s.

## BK wields new agency's ads in debut of discount offer

MIAMI — Burger King, backed by the debut campaign from one of its new advertising agencies, has kicked off a discounting promotion in which a different sandwich will be offered each weekday for 99 cents.

The 99-cent Daily Special is spotlighted in new commercials from Saatchi & Saatchi, which splits Burger King's $215 million advertising account with D'Arcy Masius Benton & Bowles. Saatchi has been hired to develop product-oriented "tactical" campaigns, while DMB&B was retained to draft "image oriented" advertising, according to Burger King.

The agencies' selection in May was viewed as a crucial step in the burger chain's turnaround effort.

Under the new promotion, a buck buys a breakfast sandwich on Monday, a bacon double cheeseburger on Tuesday, a Whopper on Wednesday, a double cheeseburger on Thursday, and a Whaler fish sandwich on friday.

## NY's health chief proposes mandatory health insurance

ALBANY, N.Y. — The state health commissioner has advised the governor to extend medical insurance to 2.5 million unprotected residents in part by requiring restaurants and all other employers to provide basic health-care coverage to all employees.

Such mandated health-insurance programs have been vehemently opposed by the food-service industry, which contends that the financial burden would force a great number of operations into bankruptcy. The National Restaurant Association is leading the fight to block passage of a federal health-benefits law.

At present, only Hawaii and Massachusetts have passed laws mandating that employers provide health insurance. However, many states, including California, are eyeing health-insurance requirements as a way to bring medical care within reach of more individuals.

Governor Mario Cuomo did not indicate whether he would endorse the health-care proposal put forth by health commissioner Dr. David Axelrod.

## Industry attempts to soften impact of Disabilities Act

WASHINGTON — Food-service industry lobbyists are scrambling to mold pending legislation that would force restaurants and other public places to alter structural features that pose an obstacle to disabled employees and customers.

The National Restaurant Association and other industry groups have expressed concerns about certain ambiguous components of the Americans With Disabilities Act, which the Senate recently approved by a wide margin. The House is expected to pass its version of the bill later this month, and President Bush is widely expected to sign the measure into law.

The act requires businesses to provide "reasonable accommodations" for disabled persons if the effort does not entail "undue hardship." Critics have noted that "reasonable" and "undue" are very ambiguous terms. Lobbyists are striving to clarify those gray areas during hearings in the House.

The NRA estimates that compliance with the Disabilities Act would raise the cost of constructing a restaurant by .05 percent to 1 percent.

## Grand Met taps Pepsico exec for top post at Häagen-Dazs

TEANECK, N.J. — Grand Metropolitan PLC has recruited Pepsico executive Ove Sorensen to assume the presidency of Häagen-Dazs, the Grand Met subsidiary here that operates a string of ice cream shops.

The presidency had been vacant since Mark Sullivan tendered his resignation last May, several months after Grand Met acquired the chain through the takeover of The Pillsbury Co.

Ove had been senior vice president of marketing and sales for Pepsi-Cola International, the overseas arm of Pepsico's soft-drink operations.

## KFC buys out partner in New Zealand venture

LOUISVILLE — Kentucky Fried Chicken has acquired its partner's stake in a New Zealand joint venture that operates 50 KFC units within that nation.

The amount paid to Goodman, Fielder, Wattie was not disclosed.

KFC has been in New Zealand since 1970.

"This acquisition will provide a strong foundation for future growth of Kentucky Fried Chicken in New Zealand," said Don Pierce, president of KFC's international division. "It will give us greater flexibility to respond to competition and it will enable us to upgrade our facilities more quickly."

## Dairy Queen plans rollout of soft-serve frozen yogurt

MINNEAPOLIS — After a 300-unit sales trial, Dairy Queen said it has decided to launch a systemwide rollout of a soft-serve frozen yogurt line in early 1990.

The frozen treat would be available in cones and cups, garnished with nuts, fruit, and candies. The yogurt would also be blended with mixed-in sweets and sold as a milkshake-like concoction called a Breeze.

With 5,100 units, Dairy Queen is the nation's largest snack chain.

## Popeyes launches test of oven-baked chicken

JEFFERSON, La. — In an effort to lessen its reliance on fried foods, Popeyes Famous Fried Chicken has begun test marketing an oven-roasted spiced chicken.

The sales trial is under way in Boston, according to area franchisee Dean Corsones. The chicken is seasoned and slowly baked, allowing the bird to simmer in its juices for added flavor, Corsones said. Popeyes' signature fried chicken is spicier than most of the products sold by competitors.

The roasted chicken is sold either whole or cut into quarters or halves.

FINANCIAL NEWS

# USDA says chicken costs will stabilize in 4th Q

By Rajan Chaudhry

WASHINGTON — Chicken prices, which wrought havoc on the bottom lines of restaurant companies through the first half of the year, will stabilize in the fourth quarter, according to U.S. Department of Agriculture projections.

Pepsico's Kentucky Fried Chicken, Marriott's Roy Rogers chain, and Collins Foods International are among the operations sent reeling by the one-two punch of steep chicken costs and stiff discounting by competitors.

But analysts expect profits to rebound as a result of wholesale chicken prices that, according to USDA predictions, will remain slightly below year-ago levels.

"Production has been heavy all year, but prices have stayed amazingly strong," said Lee Christensen, head of poultry research and analysis for the USDA.

According to the USDA, broiler prices began the year at about 58 cents per pound, peaked at more than 70 cents per pound in May, and dropped to about 57 cents per pound in August.

Early September readings show broiler prices up to about 61 cents, said Christensen, but the USDA estimated costs would fall below last year's fourth-quarter average of 58 cents per pound in this year's final quarter.

The expansion of chicken offerings on the menus of quick-service restaurants contributed to high price inflation in the first half of the year, he said.

"In May there was the featuring of new chicken products by some of the fast-food chains, particularly McDonald's introduction of a new chicken sandwich."

Although McD's set up lines of supply well in advance of its May rollout, Christensen said the introduction still had an effect on the market, helping raise broiler prices to the year's highest point.

"It stands to reason that whenever you have something that's going to increase the demand for a product, unless there's a tremendous surplus, it's going to create some action in the market and at least temporarily drive prices up," he said.

Tight supplies of beef and pork also created a situation in which chicken prices could be raised by producers to maintain its relative pricing, Christensen said.

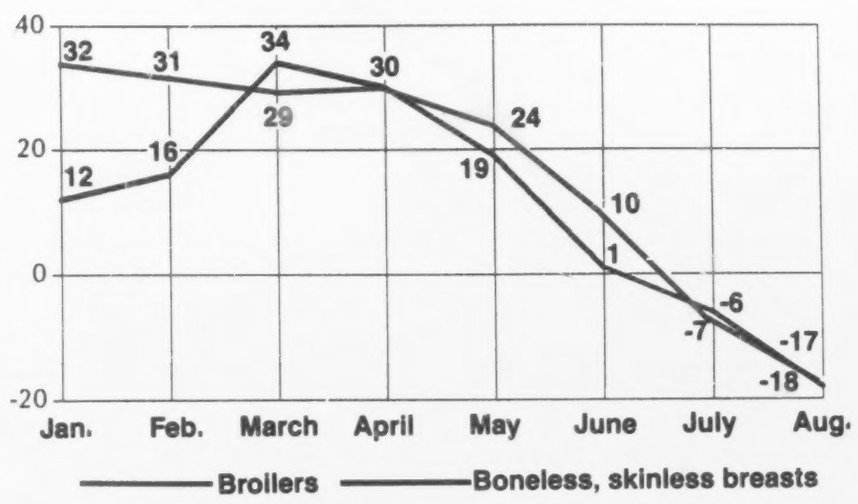
"Prices are definitely coming down," said KFC vice president Greg Reynolds, "and the anticipation is that they will continue to fall through 1990."

Broiler prices often follow a three-year cycle, explained Reynolds, and the industry is coming off the segment during which prices rose because of increased demand and adverse weather, which killed off some of the breeding stock.

Broiler producers, he said, have reinvested to raise capacity, and prices have started down once more.

**CHICKEN PRICES DIP**

(year-to-year percentage change)



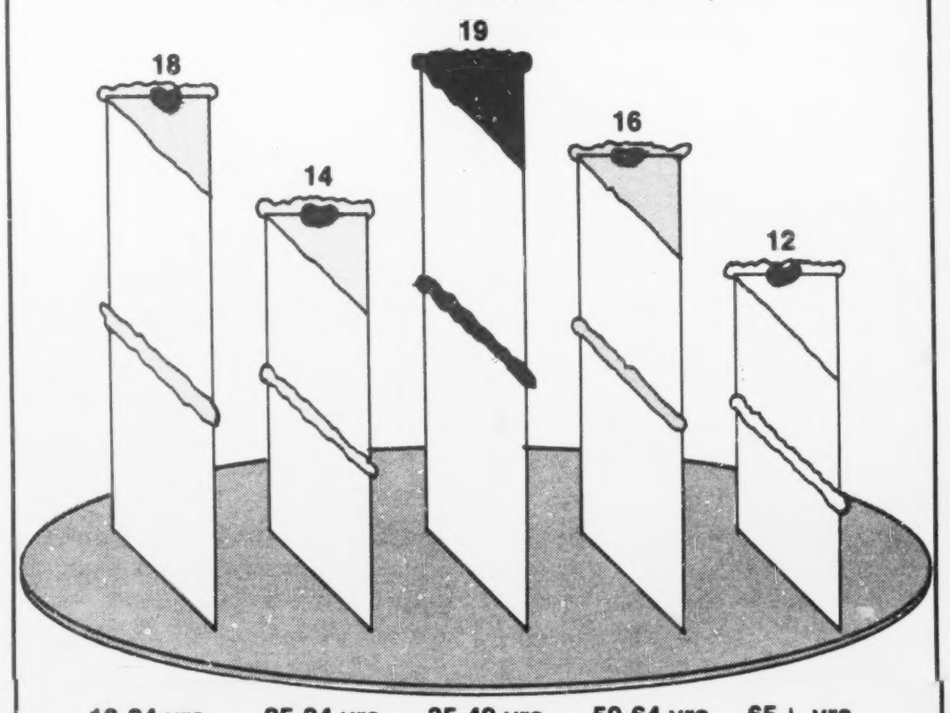

Source: U.S. Department of Agriculture

## FACT FILE

*A look at the statistics shaping the industry*

**35- TO 49-YEAR-OLDS TAKE THE CAKE**

(percentage of each age group likely to order dessert at a table-service restaurant at lunch)




Source: National Restaurant Association Gallup Survey, 1989

# Shoney's same-store sales rise 6%

NASHVILLE, Tenn. — Shoney's Inc. said a comparable-store sales gain of over 6 percent helped boost pretax, preinterest-expense profits 13 percent, to $28.4 million, on a 12-percent rise in revenues, to $210 million, for the third quarter ended Aug. 6.

Net income fell 57 percent year-to-year, to $6.2 million, reflecting an increase of about 700 percent in interest expense resulting from the company's 1988 recapitalization.

The company said that at the end of the latest quarter it had made $165 million of principal payments, including prepayments of $123.8 million, against the $585 million of bank borrowings used to finance the recap.

For the August-ended nine months, Shoney's net income fell 67 percent, to $13.7 million, on a 13-percent rise in revenues, to $656 million.

Shoney's chains, which comprise more than 1,570 restaurants, include Shoney's, Lee's Famous Recipe, and Captain D's. The company also operates 51 Shoney's Inns.

## FOOD PRICE OUTLOOK

# *Coffee prices moving up again*

On the hope that the International Coffee Organization will reinstate quotas on coffee-producing countries, the price of **green coffee** has started to move back up again. Prices, which had dropped to about one-half of last year's level, have regained about 20 percent of the decline. Part of the price rise is attributable to increased buying by roasters preparing for the fall-winter heavy coffee consumption period.

**Egg** prices continue high, with no immediate improvement in sight. Producers are not planning any major increases in output, and demand remains strong.

**Broiler** prices are lower than last year's, with production running about 5 percent to 6 percent higher than in 1988. Although demand has increased as well, prices have remained fairly stable through summer.

**Turkey** production is expected to move up. Prices have been stable, but demand for processed turkey is increasing steadily and many producers are planning a 10-percent or higher increase in output for this fall.

**Catfish** demand continues to grow, but production is running about 20 percent above last year's, and prices have been relatively stable. The farmed fish is taking its place on more menus each year, according to the American Catfish Marketing Association.

According to federal government figures, over half of all fishery products consumed in the United States are now imported.

After high prices through much of the summer season, banana imports are increasing and prices have dropped to a more seasonal level.

**Carrot** prices have dropped as a result of strong West Coast and Midwestern harvests.

Colored **bell pepper** output in this country continues to grow, with prices somewhat lower than last year's. But the product is still a specialty, and prices reflect it.

**— Patt Patterson**

## NRN FINANCIAL DIGEST

### Pantera's gets nibble from investors

DALLAS — Pantera's Corp. said it has received a letter of interest from a partnership that has stated its intent to buy up to $20 million of the troubled pizza-chain operator's common stock at $2 to $2.25 a share.

Pantera's said the proposal is non-binding and subject to several conditions, including further satisfactory negotiations with its secured lenders.

The company also said that it is continuing discussions relating to an extension of a previously granted waiver from its lenders and that, subject to the availability of cash, it plans to convert into cash and common stock a portion of its convertible debentures.

### Ed Debevic's sale closes

LOS ANGELES — The joint venture owners of Ed Debevic's Inc. said they completed the sale of the six-unit diner chain to a new corporation owned by Arthur G. Cohen, Philip Pilevsky, Dennis L. Riese, and principals of Lettuce Entertain You Inc., including Richard Melman.

The former owners were Collins Foods International, which held a 60-percent stake; Lettuce Entertain You, 31 percent; and Big 4 Restaurants Inc., 9 percent.

Terms were not disclosed.

### Max & Erma's lifts net income 21%

COLUMBUS, Ohio — Despite higher food costs and tough year-ago comparisons, Max & Erma's Inc. improved net income 21 percent, to $320,000, on a 24-percent increase in revenues, to $5.7 million, for its third quarter.

In the same period last year, onetime gains from franchise fees and the termination of certain agreements with the company's founder boosted net income by $55,000.

Discounting the gains, operating income advanced 52 percent year to year, the company said.

Same-store sales increased 12 percent for the quarter and 14 percent year-to-date, it said.

For the latest nine months, Max & Erma's posted a 60-percent increase in net income, to $962,000, on a year-over-year gain in revenue of 28 percent, to $18.6 million.

The company, which operates 12 Max & Erma's restaurants, said rising food costs would force it to raise menu prices as part of its November menu revision.

### Le Peep to acquire franchisee

DENVER — Le Peep Restaurants Inc. said it has agreed to acquire certain assets of its franchise operations in Chicago, Peeple Foods Inc.

The agreement, terms of which were not disclosed, is part of Le Peep's strategy of increasing the number of company-owned restaurants in selected markets, the company said.

The Le Peep chain comprises 70 specialty breakfast restaurants.

# FOCUS | OPINION

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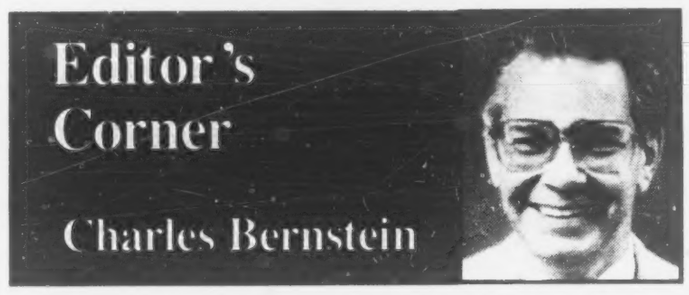
# Blacks face barriers in exec aspirations




The restaurant industry will need 10 million employees by the early 1990s, and there is growing concern about how they can be obtained. One of the best solutions is to hire older people, who — as previously emphasized here — make positive contributions to the industry but are too often victims of age discrimination.

In this space we also earlier talked about the challenge facing food service, to offer more opportunities for women in executive positions. Few women have risen to the executive suites of food-service operators.

Nor are women the only group facing discrimination. If this industry is to grow and prosper, it must attract the most qualified applicants without regard to race. While progress is being made in this direction, it is all too slow and a tremendous push is required to accelerate the process.

Nowhere is the gap more noticeable than with blacks. So few of them are in the upper levels of management and key leadership positions that one could almost name them all in a minute. This problem is a combination of the industry's reluctance to consider blacks for executive posts and the lack of peers for blacks to emulate.

Herman Cain, the highly capable president of Godfather's Pizza and a National Restaurant Association board member, in a sense is the Jackie Robinson of the food-service chain industry. He is perhaps the only black who has risen to this level.

On the independent restaurants side, Ernest Royal, the dynamic Rutland, Vt., operator, stands as a leading example. As a longtime NRA board member, he has pioneered human resource programs and understands the obstacles facing blacks better than anyone else does.

In almost any major industry conference, Cain and Royal are often the only blacks present. They are highly respected, but the lack of other black executives is a sad commentary on the industry's efforts to open its executive positions to blacks.

Ted Holmes, president of the 13-unit Chicken George chain in the Baltimore area in the early 1980s, urged other blacks to seek entrepreneurial positions in the industry. But his chain failed.

McDonald's, which was picketed by blacks in confrontations in the late 1960s, has since taken a leadership role and has been staunch in its encouragement of black franchisees. Some point the finger at its board and its top executives and say there are no blacks. But we are confident it is just a matter of time before blacks advance higher at McD.

Burger King's black franchisees were in an uproar a few years ago, but the situation has been smoothed out somewhat, although BK black franchisees still have their own organization.

KFC has been in the forefront of aggressively encouraging black franchisees.

Some of the more prominent black franchisees have been Noah Robinson of Chicago, a Wendy's and KFC franchisee; Pennsylvania's Franco Harris, who was a Wendy's franchisee; Brady Keys, a Burger King and KFC franchisee in the Detroit region; and Donald Harty, a six-unit Burger King franchisee in the New York City area.

Keys, Harty and others have proved that fast food can work exceedingly well in inner cities. But most major operators have shied away from such locations, preferring locations in the outskirts or suburbs.

As one franchisee put it, "The franchisors have shut off inner-city opportunities." One might also add that food-service operators have all too often shut off opportunities for blacks to advance.

Actually, blacks have been given or have seized more opportunities on the institutional, noncommercial side of the business than anywhere else. Shirley Watkins, food-service director of the Memphis, Tenn., school district, won the International Foodservice Manufacturers Association's coveted Silver Plate award as operator of the year in her category.

Some recent developments have been encouraging. Domino's has named two black franchisees, John Cobb of Washington, D.C., and Edwin Bones of Maine, to head a new program to encourage the advancement of blacks and other minorities within the Domino's system. The chain hopes to accomplish this through recruiting at high-school and college job fairs and by publishing stories in its franchisee newsletter, The Pepperoni Press, emphasizing minority opportunities.

Shoney's, which earlier was charged with discriminating against blacks, has reached an agreement with the Southern Christian Leadership Conference to encourage blacks at Shoney's and its Captain D's chain, too. Shoney's is set to launch "fast-track" management advancement programs for blacks.

Almost every white executive says he believes in judging people purely on merit. And many of the executives fervently believe that. But it doesn't seem to come to fruition.

It took a long time before the stereotype that blacks could not play quarterback on a National Football League team was finally disproved. Nor does the stereotype that blacks can't play in the executive suite have any validity. It is simply an opinion of the white majority.

As Shoney's chief executive J. Mitchell Boyd emphasizes: "We can't just be reactive. We've got to be proactive, reach down the organization and find the women and minorities. We've got to bring them through to better management positions where they can stand as symbols to other people, showing them that there are opportunities in the organization."

Bravo for Boyd! We fervently hope that other food-service companies will adopt this proactive approach to help solve the critical challenge of moving more blacks into executive positions, based on merit.

## LETTERS

### *Recyclable newspaper fights garbage crisis*

Editor, NRN:

Throughout your Editor's Corner on the garbage crisis a great deal of attention is devoted to the causes of America's garbage problem and to recycling.

However, I've noticed that no indication is given in your publication that Nation's Restaurant News is printed on recycled paper. In fact, the publication is printed on "slick" paper, which is refused by most, if not all, recycling operations.

I quote editor Charles Bernstein: "Operators must fulfill their responsibilities for improving the environment and fostering customer goodwill."

When do Nation's Restaurant News and Lebhar-Friedman Inc. intend to fulfill their responsibility toward the environment? Paper and paperboard compose the largest proportion of municipal waste, some 41 percent.

If Bernstein honestly believes that "the industry can learn from McDonald's and follow its example," why can't Lebhar-Friedman Inc. learn and follow also?

— **Paul A. Beck**
Martinez, Ga.

*Reply from the Editor: Beck's point is well taken. The paper used to produce Nation's Restaurant News is coated paper, which cannot be recycled. But it is biodegradable and eventually disintegrates when put in a landfill. This is the same process that is used by thousands of publishers today. Only uncoated paper can be recycled, and NRN chooses to continue using the higher grade of coated paper.*

### *MUFSO: Welcome back to New Orleans in '89*

Editor, NRN:

In the fall of 1981, I was invited to attend your MUFSO Conference held at the Fairmont Hotel here in New Orleans. At that time I had been with the Louisiana Restaurant Association only since January and was struggling to form an organization that would represent the restaurant industry in Louisiana in a way that it should be represented.

I didn't know what MUFSO was or who the people are in the industry, and NRN sat me at one of the head tables next to Gene Bishop of Morrison's Cafeterias. It was one of the most impressive events I have ever attended in my life.

I attended the next two or three MUFSOs, and the invaluable contacts that I made helped build the Louisiana Restaurant Association into one of the largest and strongest state restaurant associations in the country.

I might add that Morrison's, within a few weeks of the meeting in New Orleans, became a member of our association.

The point to all this is to let you know my feelings on MUFSO and how proud I am that you're coming back to New Orleans in 1989. Warmest regards.

— **Jim Funk**
*executive vice president*
Louisiana Restaurant Association
Metairie, La.

NEWSPAPER

NAFEM/89 CONVENTION

*NAFEM/89: The spot for new equipment*

Story, schedule begin on page F17

*Dallas blazes comeback trail*

Focus section follows page 32

EDITOR'S CORNER

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...n/Page F3

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MUFSO ROUNDUP

# MUFSO: Beyond the basics

## *Operators hail philosophy of excellence*

**By Rick Telberg**

NEW ORLEANS — Some of the savviest operators in the nation are embracing a management philosophy that challenges them to go further than mere mastery of the fundamentals of food service to something best termed "beyond the basics."

"It's not the size of the chain that determines who wins or loses; it's just being the best at it," declared Herman Cain, president of Godfather's Pizza, to a rousing ovation at the 30th annual Multi-Unit Food Service Operators Leadership Conference here.

Fresh calls for excellence in operations and a focus on a single marketing theme became rallying cries for the executives at MUFSO, which is sponsored by Nation's Restaurant News.

Previous MUFSO conferences have yielded themes of niche marketing, customer service, the labor crisis, and political threats. But this year's meeting seemed marked by an attitude among operators that — believing they had mastered the principles of production, pricing and positioning — they would find it necessary to change faster and do more than simply execute "the basics."

"The basics," said MUFSO attendee Chuck Boppell, president of Hudson's Grills in Southern California, "just aren't good enough anymore.

*(See **MUFSO**, page 128)*

**EAT, EAR awards**
**Operators target mupple market**
**MUFSO coverage/Page 7**

NRN Photo

**Joe Lee, president of General Mills' restaurant division, thanks MUFSO audience after winning crown.**

## Joe Lee wins vote as Operator of Year

**By Rick Van Warner**

NEW ORLEANS — Joe Lee, the methodical, self-made operations specialist largely responsible for engineering Red Lobster's development from a five-unit operation into a dominant national seafood dinner-house chain, was crowned Operator of the Year at a banquet during the MUFSO conference here.

Beaming as he stepped up to the podium to accept the coveted award, Lee quipped, "I'm not dead yet either," referring to an earlier remark by Pioneer of the Year honoree Joe Baum.

But characteristically, Lee downplayed his role in the chain's success and seized the opportunity to praise others.

"This award is really special, but please join me in applauding the people that do the work that I get credit for," he said, rattling off a long list of General Mills Restaurant staffers past and present and then asking all General Mills audience members to stand.

"It's 75,000 people who really did it," he added, referring to the number of employees in the company's Orlando, Fla.-

*(See **LEE**, page 129)*

## Domino's plan sparks uproar

### *Monaghan posts sale sign*

**By Milford Prewitt**

NEW ORLEANS — News that Tom Monaghan had hung a "for sale" sign on his Domino's Pizza empire swept through the MUFSO meeting like a flash flood over a Louisiana levee as conference-goers speculated about possible suitors, the price the chain might fetch, and industry ramifications.

Elsewhere, Domino's franchisees were stunned by Monaghan's announcement that he may cash in his chips to devote more time to the numerous charitable and religious causes he champions.

In a letter to the company's franchisees and employees addressed "Dear Dominoids," Monaghan stressed the idea of selling was only "a possibility at this point." Nevertheless, he revealed anguish over his inability to give Domino's and his charity work equal and undivided devotion, an untenable situation he said he sought to avoid when he appointed Dave Black president in June.

"It is not fair to give divided attention to Domino's Pizza," he wrote.

Several executives convened here for the four-day leadership conference flung wise cracks and expressed amazement at the news. Others, mainly competitors, were reserved and guarded about the implications of a change in ownership in Domino's, which, with 5,100 units, operates the nation's second-largest pizza chain.

"There's a lot of growth left in the segment, and that's certainly an important part of our strategy," said Steven S.

*(See **DOMINO'S**, page 129)*

**Tom Monaghan**

**Pizza Hut wages war against McD in ad blitz**
**Page 4**

NRN Photo

**Joe Baum**

## Industry salutes Joe Baum

**By Bill Carlino**

NEW ORLEANS — In a stirring, heartfelt tribute, industry heavyweights saluted Joe Baum, the 35-year restaurant veteran whose innovations have influenced generations of operators and scores of restaurants nationwide.

The 69-year old entrepreneur, whose New York landmark restaurant creations include the fabled Four Seasons, La Fonda Del Sol, Forum of the XII Caesars, and Trattoria, was honored as Nation's Restaurant News' Pioneer of the Year at the MUFSO awards banquet here.

In the emotional highlight

*(See **BAUM**, page 129)*

MORE MUFSO HIGHLIGHTS NEXT WEEK

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Vol. 23, No. 39

Sept. 25, 1989

# NEWS DIGEST

## Dunkin' agrees to let suitors see its books

RANDOLPH, Mass. — After bitterly opposing a takeover attempt for several months, Dunkin' Donuts has agreed to provide several suitors with confidential information about the segment-leading doughnut chain.

Among the parties that will be supplied with the information is Kingsbridge Capital, a partnership of Cara Operations, a Toronto-based food-service company, and George Mann, a Toronto businessman. Dunkin' has rejected Kingsbridge's $45-per-share acquisition offer, which put the doughnut maker in play.

Dunkin' would not reveal the identities of the other suitors.

## California gets tougher on drinking and driving

SACRAMENTO, Calif. — California lawmakers are getting tougher on drinking drivers: Beginning Jan. 1, the state's legal blood alcohol level will drop from .10 percent to .08 percent.

The lower blood alcohol standard, which the governor signed into law, is among the strictest in the nation.

Traffic accidents involving drunk drivers claimed the lives of more than 2,200 people in California last year, state officials reported.

## Burger King adds tacos in tie-in with hot sauce

HOUSTON — Burger King has expanded its arsenal of promotional products by adding breakfast tacos made with a locally popular retail brand of salsa.

The tacos, which are served two at a time for $1.29, are being spotlighted in a co-operative advertising program with Pace, the sauce supplier. Newspaper inserts note that Pace is made in San Antonio "by folks who know what picante sauce should taste like." Attached to the ads are discount coupons for Pace picante sauce as well as the tacos.

The approach is similar to the one taken by Burger King a few years ago in cooperation with Wolf-brand Chili, whose signature product was used to top the fast feeder's short-lived chili burger.

The new breakfast tacos are made with eggs, cheese, and breakfast meats. McDonald's, the only fast-food chain larger than Burger King, is also experimenting with Southwestern breakfast specialties.

## Church's pays $80K fine to cease INS probe

WASHINGTON — Church's Fried Chicken has agreed to pay an $80,700 federal fine for hiring undocumented workers, halting an Immigration and Naturalization Services investigation into the chain's hiring methods, the U.S. Justice Department said.

The agreement gives Popeyes Famous Fried Chicken time to correct improper hiring practices at Church's, which Popeyes acquired earlier this year.

Investigations had uncovered missing and improper forms at 97 Church's outlets involving some 2,900 workers, the Justice Department reported. Initially, the INS sought fines in excess of $620,000.

## La Côte Basque's operator plans to spin off a bistro

NEW YORK — Jean-Jacques Rachou, chef-owner of the swank La Côte Basque here, has disclosed plans to convert the former site of his Le Festival seafood restaurant into a lower-priced bistro to be called Le Pistou.

The new place will be more affordable than Le Côte Basque, a classic French restaurant where per-person dinner checks average more than $60. The average dinner tab at Le Festival was $65. Le Pistou's entrées will reportedly range in price from $20 to $30.

Many high-end restaurateurs have been opening moderately priced spin-offs to combat a vexing price sensitivity among consumers.

## Schlotzsky's helps rescue James Coney Island

HOUSTON — Schlotzsky's has struck an agreement with James Coney Island, the 14-unit chain of hot-dog-and-chili stands operating under bankruptcy protection, to help the local chain restructure.

Schlotzsky's chairman, Thomas C. Thompson, said his Austin, Texas-based company, which operates the 215-unit sandwich chain, plans to expand James Coney Island through franchising.

The 66-year-old local hot-dog chain, which is operated by the Papadakis family, was in arrears for about $6.8 million. Principals James Papadakis and his brother-in-law, Louis Servos, attributed their financial woes to poor investments outside of the restaurant trade.

## Dayton-Hudson plans two new take-out food cocepts

MINNEAPOLIS — The Dayton-Hudson department-store chain is planning a rapid rollout of two new in-store feeding concepts that cater to demands for take-home fast food.

Eight Chickery outlets, which feature char-broiled chicken, and seven Marketplace Foods, a gourmet-styled soup and sandwich shop, are planned for the next two years, said John Lovelace, food-service chief at the company.

Two experimental Chickery units averaged $1,000 in annual sales per square foot, he said.

## Under fire for racism, restaurateur admits blacks

NORTH AUGUSTA, S.C. — Restaurateur Bruce Salter, facing FBI investigation, a state lawsuit, and public criticism for refusing to serve blacks at his dining establishment and bar here has finally opened the door to minorities.

The Atlanta Journal & Constitution reported that black attorney George Hill Jr. dined at Salter's restaurant, called the Buffalo Room, and extracted a pledge from the operator to stop his practice of discriminating.

Hill was quoted as saying Salter's bitterness toward blacks stems from an offensive racial incident that dates back 20 years.

Salter refused to comment, criticizing widespread news reports for being distorted.

## Filmmaker enlists Mootz for entertainment projects

SAN FRANCISCO — Kimpton Restaurant Group vice president Nancy J. Mootz is leaving that company to help filmmaker George Lucas create complexes combining special-effects-oriented attractions, theme restaurants, and retail outlets.

Mootz said Lucas' new company, Skywalker Hospitality, is currently negotiating a lease for its first "Entertainment Marketplace," which could open in San Francisco by late 1990. The San Francisco center will feature three to five restaurants, she said.

While Lucas has teamed up with the Disney organization in recent years to develop attractions for some of its properties, Mootz stressed that the entertainment marketplaces "won't be [mini] theme parks."

Mootz, a three-year Kimpco veteran, was most recently involved in the development of Postrio, and the creation of the company's first free-standing restaurant, Splendido's, which is expected to open late this year.

## Biloxi's White Pillars throws in the napkin

BILOXI, Miss. — The landmark White Pillars restaurant here has ceased operations, denying Gulf Coast residents another taste of the baked-eggplant dish that drew crowds to the 625-seat place during most of its 36 years.

However, traffic had slowed in recent years, according to local observers. They note that the Log House, another stalwart of the local dining scene, shut its doors two weeks beforehand.

White Pillars, whose signature dish was Eggplant Josephine, featured 400 banquet seats.

FINANCIAL NEWS

# Chart House to go public in 3.8M share offering

**By Rajan Chaudhry**

SOLANA BEACH, Calif. — Chart House Enterprises Inc. and its stockholders expect to reap about $47.8 million from the company's initial public offering of 3.8 million common shares, according to Securities and Exchange Commission filings.

The company — which operates 59 Chart House restaurants, one Peohe's, and 13 Paradise Bakery restaurants and franchises 12 Paradise Bakery's — said it will use its net proceeds, about $34.4 million, to cut its long-term debt and capitalized lease obligations by more than 40 percent, to $45.6 million.

Chart House's existing investors — primarily two partnerships managed by The First Boston Corp. — stand to collect about $12.6 million for 1 million shares. The partnerships purchased their stock at an average price of $1.44 per share, according to the company's prospectus, compared with the public offering price of $13.50 per share.

After the offering, the partnerships will control about 32 percent of outstanding common stock, down from more than 69 percent.

The company's 15 officers and directors, who together control about one-third of the company's stock, are selling no shares, according to the filing. After the offerings they will hold a 21-percent stake.

For the six months ended June 30, 1989, Chart House posted an 11-percent rise in net income, to $2.1 million, on a 3-percent fall in revenues, to $69.7 million.

The drop in sales reflects the loss of revenue from the company's sale of its Luther's Bar-B-Q restaurant operations in December.

The company said it intends to focus its expansion activities on the development of Chart House restaurants and that it plans to open four to six in 1990.

Chart House restaurants are full-service casual dinner houses offering seafood, steaks and chicken. Many offer elaborate salad and seafood bars.

Although Chart House is a chain concept, its strategy is to choose unique sites, often on waterfronts and in historic buildings. As a result, its units range in size from 91 seats to 388 seats, with an average capacity of 172, and its per-unit sales volumes range from $600,000 to $6.1 million, with an average annual volume of $2.2 million in 1988. Per-person checks average $20, excluding alcohol, which is typically less than 25 percent of sales.

The first Chart House restaurant opened in Aspen, Colo., in 1961. In 1983 the company merged with a subsidiary of Godfather's Pizza Inc., taking the name Diversifoods. The Pillsbury Co. acquired Diversifoods in 1985 and through a tender offer, liquidated Chart House and transferred the company's assets to a new subsidiary, CHI.

In 1985 Chart House management and affiliates of First Boston acquired the chain from Pillsbury. One year later, in separate deals, Chart House bought 16 Luther's Bar-B-Q restaurants and four Cork 'N Cleaver restaurants from Pillsbury. Both operations have since been sold.

In 1987 the company bought the assets of Paradise Bakery, a mall concept that features cookies, muffins, croissants, and light meals, including soup, salads and sandwiches.

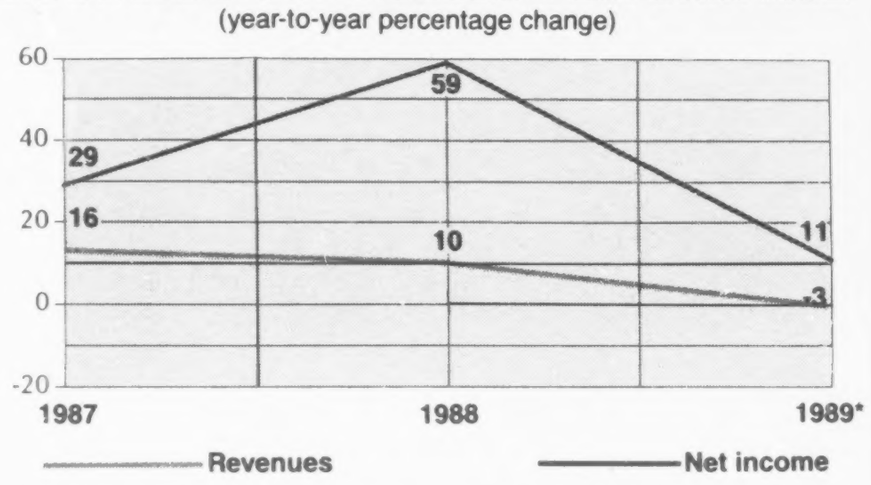
Paradise Bakery stores range from 600 square feet to 3,700 square feet, with average annual sales of $460,000. The average transaction for company-owned stores is $2.25.

Through its Paradise Bakery unit, the company also operates a wholesale bakery in Carlsbad, which supplies baked goods to Chart House as well as to hotels, food-service distributors, and other third-party accounts.

Last year the company opened a Peohe's restaurant in Coronado. The restaurant, which overlooks the San Diego Bay and highlights seafood, is similar to a Chart House but features a slightly broader and more expensive menu.

**CHARTING CHART HOUSES' PERFORMANCE**

(year-to-year percentage change)




Source: Company reports. *Through first half ended June 30. Reflects sale of Luther's Bar-B-Q.

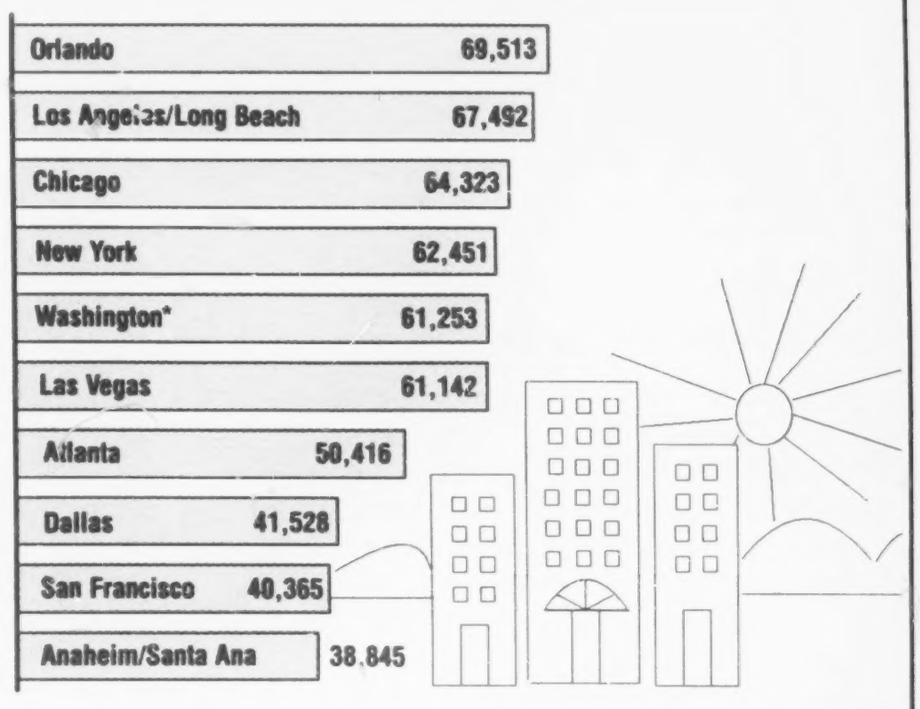
*Chart House's existing investors stand to collect about $12.6 million for 1 million shares.*

## FACT FILE

*A look at the statistics shaping the industry*

**ORLANDO: NO MICKEY MOUSE HOTEL TOWN**

(no. of hotel rooms per city)




Source: Laventhol & Horwath

*includes portions of Maryland and Virginia

## NRN FINANCIAL DIGEST

### Circle K cancels sale plans

PHOENIX, Ariz. — Four months after putting itself on the block, Circle K Corp., the nation's second-largest convenience store operator, said it has received no bids and is no longer for sale.

Circle K also said its board had voted to suspend the company's quarterly common stock dividend.

The company decided to end its search for a buyer upon recommendation of special adviser Wasserstein, Perella & Co., a merchant banking concern, it said.

A bid from chairman and 7.1-percent owner Carl Eller was expected but never materialized, and the company's adviser reportedly told Circle K that a leveraged buyout couldn't be financed at a fair price because of the weak high yield securities market and the company's falling profitability.

In its first fiscal quarter ended July 31, the company's profits fell 39 percent, to $7.6 million, despite a 25-percent rise in revenue, to $1 billion.

### Karcher profits suffer decline

ANAHEIM, Calif. — Carl Karcher Enterprises Inc., operator of the Carl's Jr. hamburger chain, said net income fell 16 percent, to $18.9 million, for its second quarter ended Aug. 14, on a sales gain of 18 percent, to $122.8 million.

The company blamed the results on competitive discounting and high acquisition and opening-related costs.

It also said it has increased its bank borrowings and reduced its marketable securities portfolio to finance a repurchasing and retiring of about 25 percent of outstanding shares in the third quarter of 1989.

For the latest six months, the company's net income fell 16 percent, to $10.4 million, on a year-to-year rise in sales of 19 percent, to $271.7 million.

### Pantera's gets waiver extension

DALLAS — Pantera's Corp., cash-strapped operator of the nation's No. 4 pizza chain, said it has negotiated an extension, through the end of the month, of its waiver from its secured lenders.

The company said the waiver extends the $4.6 million in interest and principle payments due on the secured debt.

As a condition of the waiver, Pantera's said secured lenders have placed restrictions upon the payment of other debt by the company, which will force it to defer payment of interest due Sept. 1 on its subordinated convertible debentures. The company said it can defer payment on the debentures for 30 days without acceleration.

Pantera's also said it intends to continue its negotiations with equity investors to raise up to $25 million during the waiver period.

Earlier this month the company announced that it had received a letter of interest from an investment group that stated the group's intent to buy up to $20 million of Pantera's common stock at $2 to $2.25 a share.

## FOOD PRICE OUTLOOK

# *Bacon prices may rise by year's end*

The United States has the largest stock of **pork bellies** in years, which would normally hold a lid on **bacon** prices. However, belly prices have started to move up. Already they are at last year's level. The reason? President Bush is looking favorably at food aid to Poland.

And rumor has it that Poland wants pork bellies and beef. If the president agrees, expect higher bacon prices by the end of the year. Speculation has already pushed belly prices up about three or four cents a pound.

At the same time, the price of **canned Polish ham** has gone up, and further increases are anticipated. One of the reasons is the reduced number of hams coming into this country. Although Poland needs the dollars, food at home is an even greater problem, so many of the hogs that would normally provide hams for export are being consumed domestically.

There's plenty of **canned tuna** available. The domestic pack is up nearly 15 percent over last year's tab. Exports, on the other hand, have fallen slightly. Net supplies are up, and off list discounts reflect it . . . The **red-salmon** pack from Alaska is more than double last year's. So is **pink**, although last year was one of the lowest on record. Prices should drop a bit within the next two months.

Prices of both **vegetable** and **animal fats** remain well below last year's levels. About the only exception is **coconut oil**, which is running at or above last year's level. **Palm oil**, hit hard by processors cutting back as the result of consumers' fear of saturated fats, is down nearly 20 percent from last year's supply.

**— Patt Patterson**

# TRENDS

## Good try, buddy, but put blame where it belongs

A gambler claimed an Atlantic City casino should have stopped him from playing and losing because, he said, the operators knew he was drunk. He sued the house, but when the case went to a federal court in New Jersey, he was told he had no legitimate claim.

## Keeping a tab on sales of non-alcoholic beer

Importers and producers of non-alcoholic beer, led by Sibra Products, which imports Moussy, are considering the formation of a trade association. The group would promote sales of the unique category and monitor sales reports. Both Moussy and rival Clausthaler claim to be the nation's best-selling imported NA beer.

## Bar fun: Computer trivia joins mini basketball

The miniature basketball game, which requires patrons to shoot as many hoops as possible in a limited time, has been a crowd puller since its innovation less than two years ago. Now it's been joined by a more exclusive, more cerebral event, computer trivia.

Patrons use a computer to compete in a test of knowledge against patrons in the same room or competitors in other bars. The game, offered on an exclusive basis in certain cities, is packing them in at places like Houlihan's 56th Street in New York; Cheers West in Tacoma, Wash.; the Holiday Inn, Stamford, Conn.; and Bridget Foy's in Philadelphia. Foy's won the first national tournament in March.

## Promotional juices flow in crowd-grabbing promos

Beer and spirits firms are staging a variety of promotional contests aimed at pleasing people and boosting sales. Here's a rundown. Bacardi and Coke: sweepstakes offering free weekend trips to Improv clubs in Chicago, L.A., and N.Y.C. Stroh's Light sponsors a Light Knight sweeps, top prize a trip for four to Germany. Coors Extra Gold: sweepstakes to select 12 people for a junket to Hollywood, where they'll be extras in a Coors commercial. Southern Comfort: Second Annual Finger Flick Football tournament, regional winners compete in national play-off, and overall champion gets two tickets to Super Bowl XXIV.

## Groups unite to promote wine, fight prohibitionists

The Wine Institute of California has launched the National Wine Coalition to promote and educate Americans about wine and to combat the growing power of neo-prohibitionist movements.

Jerry Vorpohl, who'll head the coalition, said Americans are being assaulted by warning labels, signs, and unsubstantiated claims by reformers. The coalition, he said, will publicize the values and pleasures of wine.

## Calif. wines on upswing while overall volume dips

Shipments of California varietal wines improved by 15 percent in 1988, while imported wine declined almost 9 percent, according to Impact Data Bank. The California upsurge was sparked by continuing demand for premium table wines.

Jug wine sales fell as consumers shifted to higher-priced varietals. Imported sparkling wine shipments fell 6.2 percent while domestic sparkles were off 2.7 percent.

## Cooler sales aren't dead; just look at the figures

While the excitement over coolers may have chilled in recent years, the category is still alive and kicking. After an inevitable shakeout, the key players — Seagram and Gallo — are still innovating and promoting heavily. Seagram will spend about $12 million to promote its lines this year, and Gallo is reported budgeting $15 million for Bartles & Jaymes.

Wine coolers now account for almost 20 percent of all wine consumption in the United States, about 50 percent more than all sales of imported wines.

**WINE ENTERING U.S. DISTRIBUTION CHANNELS**
(millions of nine-liter cases)

| Type | 1987 | 1988 | Percent Change 1987-1988 |
|---|---|---|---|
| Table | 142.9 | 144.0 | 0.9% |
| Dessert | 15.1 | 14.1 | – 6.6% |
| Vermouth | 2.6 | 2.4 | – 8.6% |
| Sparkling | 18.5 | 17.8 | – 3.8% |
| Special Natural | 10.5 | 9.3 | –11.3% |
| Imported Specialty[1] | 4.6 | 1.3 | –72.2% |
| Total | 194.0 | 188.8 | – 2.7% |

[1]Imported fruit wines and wine specialties (includes sangria and fruit-flavored wines)
Source: Impact Databank

# FOCUS | OPINION

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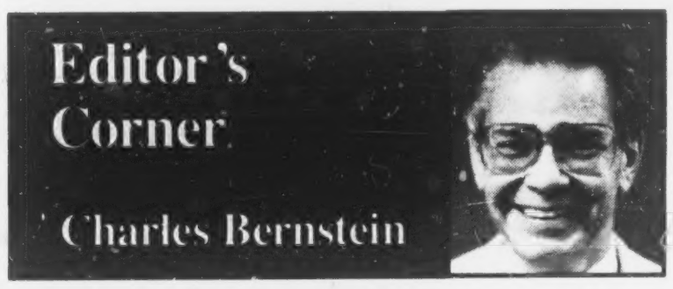
# Bureaucratic stupidity: cooking oil saga

Should restaurant cooking oils be subject to a state sales tax?

The state of Missouri argued yes, to the tune of $3 million allegedly owed annually by restaurants throughout the state. Kentucky Fried Chicken's Missouri units, led by Marshall Scott Enterprises of St. Louis and its president, C. Marshall Scott, insisted that such a tax would represent double taxation for the same thing, since a sales tax already was being paid when chicken was sold to customers.




This landmark case, which has been debated in Missouri for the last six years, is a prime example of the bureaucratic nonsense that is assailing the food-service industry at the state and federal levels. Unfortunately, the emphasis is on collecting revenues at any cost, not on being fair to the primarily small-business people who run restaurants and whose livelihoods are at stake.

What is noteworthy about this case and what sets an example for beleaguered restaurateurs throughout the country is that through sheer persistence and guts, Scott and others fought the state. After losing repeated bouts with bureaucratic-minded officials, the State Legislature, and the courts, they finally won in a 7-0 Missouri Supreme Court decision. Similar double-sales taxes are still pending in other states.

Carl Degen, executive vice president of the Missouri Restaurant Association, pressed the case on behalf of KFC and all 3,000 of the association's member restaurants.

The bureaucratic mess started in 1983, when the Missouri Department of Revenues decided it would be a brilliant idea to collect a sales tax on cooking oil, salad oil, and other vegetable oils. Degen and Scott, representing numerous fast feeders that were major cooking-oil users, told then-department director Richard A. King that the tax was ridiculous and must be rescinded.

King agreed not to collect the tax but never drafted a specific regulation. In 1985 a new revenue director decided to collect the tax. It became a double whammy when the director notified Scott not only that he would be liable for current and future such sales taxes, but also that he owed $11,000 in "unpaid" taxes on the cooking oils for the past two years. Other fast feeders throughout the state were billed similar amounts.

By this time King, who understood the absurdity of the double-taxation measures and of the efforts to collect back taxes, had a private law practice. At Degen's request, King promptly requested a judicial administrative hearing on the matter, placing a temporary halt to the collection process.

Meanwhile, Degen pursued legislative amendments to block the sales tax in the State Senate and House. The Senate passed an amendment, but the House adjourned without approving it. Future legislative actions proved futile.

Then the state's position was upheld in an administrative hearing. Undaunted, Scott and Degen had King take the case directly to the State Supreme Court. They were jubilant when it unanimously ruled in their favor.

That ruling appears final, as any attempted state appeal to the U.S. Supreme Court presumably would not be heard.

The state was fully prepared to assess thousands of dollars in interest and penalties on the "unpaid taxes" against Scott and other Missouri food-service operators if it won the case. As it is, some restaurants that paid under coercion are now owed refunds plus interest.

One report of the State Supreme Court's ruling aptly depicted the decision as "telling state tax collectors to butt out of restaurant kitchens."

In his brief to the court, King warned that if restaurants were forced to pay taxes on cooking oil discarded after being used to fry chicken or potatoes, they also might face sales taxes on kitchen waste, such as unusable chicken parts or cabbage cores.

But the court ruled that the state's tax collectors should not be concerned about whether food items wind up on customers' plates. "Actually measuring the amount of material physically remaining in the final product is neither feasible nor possible," the court said. "Only a portion of the potatoes end up as finished product. Chicken trimmings are consigned to the garbage. The same is true for the component parts of the salad."

Legalities aside, the restaurant industry's victory against the Missouri bureaucracy and against overwhelming odds should be an inspiration to all restaurateurs who feel threatened by the endless barrage of government regulations.

## LETTERS

### *Restaurant patrons want value for their dollar*

Editor, NRN:

I've just read the story "Chicago's Le Prince closes after high prices chill sales," which tells of Swissôtel's management opinion that they had "a poor understanding of Chicago consumers, who balked at paying $100 per person for dinner."

Oh, yeah. Right. No one in Chicago pays $100 per person for dinner.

You bet they do, in droves. I can name least a dozen restaurants with that type of pricetag that do very well, but they have at least one thing Le Prince never had: value for the money.

When people drive to Le France, 45 minutes or more from the Loop, they get great food and great service; the same is true of Carlos. Ambria pleases many people for that amount of money, but they have an elegant restaurant in Lincoln Park and they're no-nonsense when it comes down to great food and service. Jackie's, Yoshi's, Gordon, Avanzare, The Palm, Printers Row . . .

What did you get at Le Prince? I ate there once; it was at least $100 per person and it *wasn't worth it*. Le Prince was located in a dungeon, or so it seemed.

One had to negotiate a long escalator, walk past a coffee shop, and then what? It had strange waiters. We had one who said, after I ordered appetizers, "I'll be back! Quick like a bunny!"

But these Swiss guys figured that if they showed up with a menu "drafted" by the "renowned French chef Louis Outhier," they'd make a killing.

Well, they didn't and now they insult 8 million/ Chicagoans by merely saying "We didn't succeed because there aren't enough people who will pay that much in the area," and that's a lot of crap. They will when it's worth it.

Good riddance, folks. I hope the people who come back to your restaurant read all your comments and now won't come to your hotel.

— **Andy Yoelin**
Chicago

### *You're never too old or experienced to work*

Editor, NRN:

It is ironic that I sit down to write you a letter and at the same time read your Editor's Corner column about the general condition of the available labor pool for the hospitality industry.

I find those two students' comments about the abilities of the recruiters on the money.

Here is another scenario for you to digest. Maybe with your clout, companies will face up to the fact that employee selection is critical to success.

Having reached the age of 49, I face the hard truth: I am almost unemployable in this industry. Seeking a career opportunity with 27 years' experience and a successful track record to back up my skills is a frightening experience.

Every major company whose ad I answered for managers to join the team has been a turndown. One company even stated it wanted young people.

I can outwork, outthink, outhustle any young person in this industry. But at 49 I find no one will talk to me at all.

Personnel executives who read my résumé don't know what they are reading. When I was associated with Prime Motor Inns, I needed to know how to read a résumé and interview people for management positions.

To my credit, many of the people I hired are still with the company 10 years later — good employee selection on my part.

How can an industry where everyone agrees labor is a crisis that is upon us and will be with us for the foreseeable future pass up experienced individuals such as me without the benefit of an interview?

Companies big and small need to address their employees in their personnel departments to improve the skills and judgments about whom they will hire and whom they will not.

As for me, I will keep sending résumés, knowing that someone will recognize and hire an experienced, energetic and successful individual like me.

Thanks for listening, and maybe you can nudge all those recruiters to wake up and smell the coffee.

Forty-nine but not over the hill.

— **Anthony V. Caselnova**
Jonathan's Restaurant
Hasbrouck Heights, N.J.

CSISO-S

**FOCUS ON MUFSO**

***MUFSO roundup from New Orleans***

Focus section follows page 24

**BEER, WINE & SPI**

***Some patrons e… beer without 'bu…***

Mort Hochstein/Page F10

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Patt Patterson/Page F10

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Nation's

# Restaurant News®

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NRN Photos

**NRA president Bud Rusitzky, center, and New York restaurateur Don O'Neill, right, lobby Rep. Frank Horton, R-N.Y., on Capitol Hill.**

# US budget debate fuels industry's Capitol battle

**By Peter Romeo**

WASHINGTON — Although Congress' budgeting struggle is expected to spare food service from all but one piece of fearsome legislation this year, the strain is rekindling interest in such menaces as a reduction of the business-meal tax deduction.

What's more, the government's spending constraints will likely turn the 1989 legislative spotlight on mandated health care, extended parental leave, and other labor issues dreaded by restaurateurs, according to legislators and industry officials.

If a minimum-wage hike fails to pass this year, as many tentatively predict, it will almost certainly fly in 1990, the Capitol Hill watchers added.

**NRA board meets in Washington**

Page 4

Although interest in those matters flared in Congress this year, legislators did not

*(See **LEGISLATIVE**, Page 4)*

# IFMA forecasts industry growth of 2% in 1990

**By Alan Liddle**

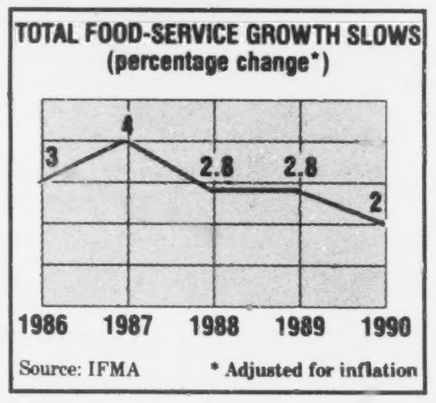
SAN FRANCISCO — In the industry's first comprehensive glimpse into next year, the International Foodservice Manufacturers Association has unveiled a forecast that envisions 2-percent industry growth in 1990.

Next year's 2-percent gain signals a slowdown from the 2.8-percent rates of both this year and last year as the nation's overall economy brakes gently, undercutting consumers' disposable incomes.

The forecast predicted slowdowns but not outright declines in most of the industry's key sectors, including full-service, fast-food, business and industry, health care, and recreation.

But IFMA also cited pockets of accelerated growth in convenience stores, colleges and universities, prisons, cruise ships, child-care centers, and food sales in taverns.

IFMA unveiled its annual Forecast and Outlook study, performed by Technomic Inc. of Chicago, in a series of three one-day meetings, which began here in San Francisco, went on to Chicago and ended in New York.




The IFMA report is one of two leading sources for industry economic information and forecasts. The other one, prepared by Malcolm Knapp Inc. of New York, is sponsored by the National Restaurant Association and is released annually in December.

The growth figures prepared by Technomic are adjusted for inflation and omit all sales of alcoholic beverages.

*(See **IFMA**, page 89)*

# Domino's: Franchisee sale unlikely

**By Milford Prewitt**

ANN ARBOR, Mich. — With franchisees mobilizing to launch a bid for the company, a Domino's Pizza official says the company would probably spurn such an offer.

Franchisee interest in buying Domino's emerged in the wake of Tom Monaghan's disclosure that, in order to devote himself to charitable and religious causes, he was thinking about selling the company.

"The company's view is that the franchisees should stay focused on their own businesses and operations," said Brad

*(See **DOMINO'S**, page 89)*

**FOOD WATCH**

## *Name your poisson*

**NEW YORK — After winning a four-year fight with federal food authorities to allow the importation of fugu, many of the city's leading Japanese restaurants will begin marketing the deadly poisonous but delicately flavored fish here.**

**At Restaurant Nippon, the pioneer Japanese restaurant in New York, owner Nobuyoshi Kuraoka will be serving fugu dinners, priced at $160 per person, featuring the fish in sashimi, tempura,**

*(See **FOODWATCH**, page 89)*

# Monterey House goes Tex-Mex

## *ShowBiz to revamp 26 units, close 26*

**By Tracey Taylor Woodard**

IRVING, Texas — Bidding *adios* to its Monterey House concept, ShowBiz Pizza Time Inc. is converting half of the 52 restaurants to more trendy Monterey's Tex-Mex Cafes and is shuttering the rest.

Richard M. Frank, chairman and chief executive officer at ShowBiz, which also operates more than 250 ShowBiz Pizza Place and Chuck E. Cheese's restaurants, said 14 of the Mexican dinner houses had already undergone conversion, with a 15th to be completed shortly. All of the converted Monterey House units are in Houston.

**The new Monterey's Tex-Mex Cafe in Houston. The chain plans to convert half of its 52 units to this trendier style.**

"It's becoming more of a neighborhood, family-type restaurant," Frank said. "In addition to the remodeling, we've totally redone the menu and the plate presentations.

*(See **SHOWBIZ**, page 89)*

BERNSTEIN ON ARBY'S ROBERTS: A TRUE MARTYR — F3

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# NEWS DIGEST

## KFC rolls promo item, expands delivery test

LOUISVILLE, Ky. — Kentucky Fried Chicken has added a new short-term promotional product called Spicy Drummets, which are akin to the peppery Buffalo-style chicken wings that have skyrocketed in popularity in recent years.

In a further effort to bolster sales, the fast-food chain has expanded its test of home delivery by adding the service at company units in Columbus, Ohio. The test was previously limited to three markets.

Drummets are made with the meaty segment of chicken wings. Each drumsticklike piece is marinated in a spicy sauce and then breaded and deep-fried.

With customer counts sagging, the chicken chain has been sharply criticized by franchisees for moving too slow on the development of new products. A few months ago KFC addressed those critics by adding a menu option called Extra Tasty Crispy.

## Rally's discloses plans to swap stock for units

LOUISVILLE, Ky. — Rally's Inc., poised to go public, said it would exchange common shares for 61 franchised double-drive-thru units, boosting its total company-owned stores to 64.

The restructuring — which includes the purchase of area development rights for Louisville and Lexington, Ky., Indianapolis, Detroit, New Orleans, and Birmingham, Ala. — is designed to boost the company's revenue base, reduce the risk of building on unproven sites, and "weather proof" the company by giving it concentrations of stores in the South and Midwest.

Pizza Hut used a similar strategy in 1968, issuing stock to certain franchisees to bring 122 restaurants into the corporation.

## Chez Panisse's Shere robbed of recipes

BERKELEY, Calif. — Dessert lovers are mourning the recent theft of a recipe book compiled by Lindsey Shere, co-owner and pastry chef at the famed Chez Panisse restaurant here .

While she is able to recall the recipes for many of the items she prepared regularly during her 18-year career, Shere said that many of her creations will be lost if the book does not turn up.

"A lot of them were for things I had done only once or twice or had scribbled down on a piece of scrap paper," she explained.

Shere said she kept her recipes in just one place: a book she always kept nearby. The book and the purse it was in at the time were stolen from her Berkeley residence while she slept.

The distraught pastry chef said she has offered a no-questions-asked reward for the return of the book.

## Calif. acts on compensation, health-care, solid-waste bills

SACRAMENTO, Calif. — The Legislature has passed bills to reform the state's $8 billion workers' compensation system and ease the health-care and solid-waste crises.

The workers' compensation measures will boost the maximum temporary disability payment — currently $224 a week, the 47th-lowest of all states — by 50 percent over two years; lift permanent disability allowances by 7.5 percent; restrain workers from shopping around for favorable medical evaluations; and restrict claims for job-related stress.

A controversial health-care bill was also passed but without provisions that would have forced businesses with five or more workers to pay at least 75 percent of the premiums for group coverage.

A separate approved bill provides $300-per-worker tax credits to companies that offer health insurance.

The Legislature also passed bills designed to halve solid-waste dumping at landfills by the year 2000 through recycling.

## LA plots trash ban as CRA starts recycling campaign

LOS ANGELES — As a first step toward formulating a restrictive ordinance, the City Council here has begun studying ways to eliminate non-biodegradable packaging from fast-food restaurants and other sources.

Los Angeles currently generates an estimated 38 percent of all the garbage in California, which produces an estimated one-fourth of the nation's trash.

Meanwhile, the California Restaurant Association, under contract with the state Department of Conservation, has launched a drive here to direct restaurants into recycling programs for glass, aluminum and plastic. The CRA pitch notes the advantages of reduced trash-hauling fees and extra income that can be earned from recycled waste.

## Wyatt Cafeterias names DeShazo new president

DALLAS — Wyatt Cafeterias Inc. has named George DeShazo as president and chief operating officer, replacing James Munns, who is resigning to pursue personal interests.

DeShazo, a 39-year Wyatt's veteran, was formerly executive vice president of operations.

The company also announced a number of other executive changes, including the promotion of Paul Kopecky Sr., who replaces DeShazo as executive vice president of operations. Kopecky was formerly senior regional vice president in Houston.

Mark Shackleford, Wyatt's chief financial officer, has been named executive vice president of administration, a post left vacant because of a death last year. He retains the financial title.

## Former Shoney's chief assumes TPI's prexy post

MEMPHIS, Tenn. — Gary Sharp, a onetime head of the Shoney's family restaurant chain, has been appointed president of TPI Enterprises, a large Shoney's franchise based here.

Earlier this year TPI acquired Sharp's Sharp Concepts, a five-unit Shoney's franchise in Orlando, Fla. The 41-year-old Sharp was awarded the territory after he stepped down as group vice president of the Shoney's chain for Shoney's Inc., the system's franchisor.

Sharp, 41, fills the vacancy left by the May resignation of James Prentiss. TPI operates more than 250 restaurants.

## Restaurateur appointed to NY Board of Health

WHITE PLAINS, N.Y. — The New York State Restaurant Association said it has scored a victory by convincing Westchester County officials to appoint a restaurateur to the county's Board of Health.

Michael Maimone, owner-operator of Le Shack Restaurant here, was named a member-at-large for the current term, which expires Dec. 31, 1993.

The NYSRA said it has long sought to place a restaurateur on the health board, whose duties include shutting down eating places that pose a health threat. "I hope every county in New York takes Westchester's lead and puts a restaurateur on the Board of Health," said Tom Cardarelli, president of the NYSRA's Westchester chapter.

## Creative buys Figlio unit in Minneapolis

SHAWNEE MISSION, Mo. — Creative Restaurant Management Inc., operator of the Fred P. Otts bar-and-grill chain, has purchased its partner's stake in the Figlio Restaurant here.

The partner, Parasole Restaurant Holdings, said it sold the restaurant because it was far from the company's Twin Cities stronghold. CRM had been a limited partner in Figlio.

Parasole continues to operate its first Figlio and other restaurants in the Twin Cities.

CRM, based here, is headed by Richard May, a former top executive of Gilbert-Robinson, operator of the Houlihan's casual-theme chain.

FINANCIAL NEWS

# Restaurant and bar sales advance 2.7% in August

By Rajan Chaudhry

WASHINGTON — The restaurant industry found no relief from the August heat, according to government indices and industry experts.

Despite furious discounting and couponing, sales at the nation's eating and drinking places grew at their lowest unadjusted rate of the year, 2.7 percent, according to the U.S. Census Bureau.

"The heavy discounting left few of the participants in our universe unscathed," said Caroline Levy, a Shearson Lehman Hutton analyst.

Based on falling same-store sales, Levy downgraded McDonald's, Sizzler, and Collins Foods International and noted that Luby's and Wendy's are also losing market share.

*'The heavy discounting left few of the participants in our universe unscathed,' said Caroline Levy.*

Although food cost inflation eased during the month to 4.5 percent, its lowest rate of gain thus far in 1989, according to the U.S. Labor Department, the department's food-away- from-home index showed restaurants were able to slow year-over-year menu-price inflation by only 0.1 percentage point, to 4.6 percent.

Restaurants also felt greater competition from supermarkets, which last month logged their lowest price hikes of the year and capped their third straight month of slowing inflation.

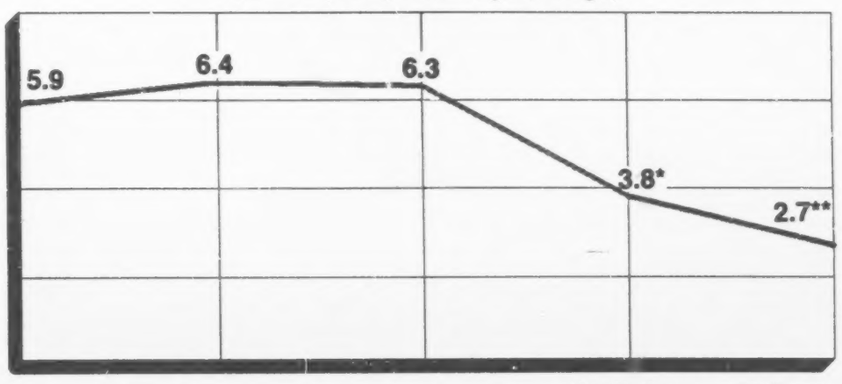
According to the department's food-at-home index, grocery stores lifted prices 5.8 percent in August, down from a 6.4-percent rate of increase in July and a 7.3-percent unadjusted hike in June.

Wholesale prices of processed turkeys fell almost 12 percent during August, according to the department's producer price index for finished consumer foods, while the cost of processed young chickens fell 6 percent and the price of fresh fruit dropped 3 percent.

Beef and veal prices logged an 11-percent gain for the month, egg prices advanced 9 percent, dairy and bakery product costs climbed more than 8 percent, and prices of fresh and dried vegetables rose 7 percent.

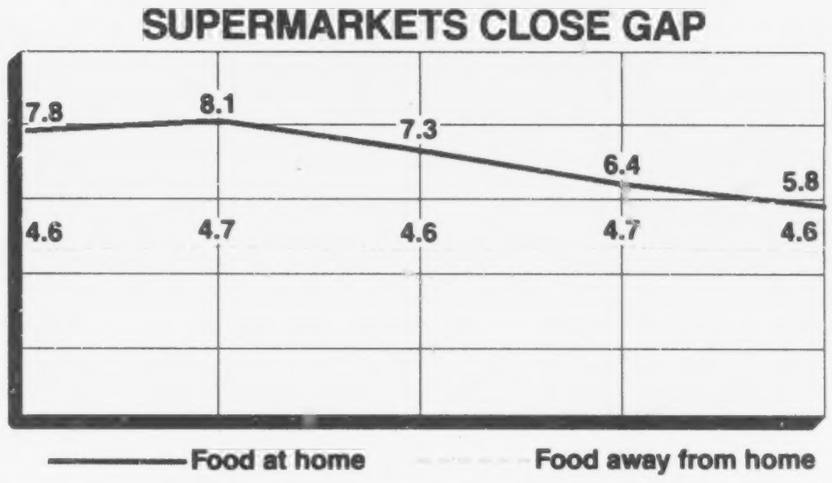
**RESTAURANT SALES GROWTH SLOWS**

(year-to-year percentage change)



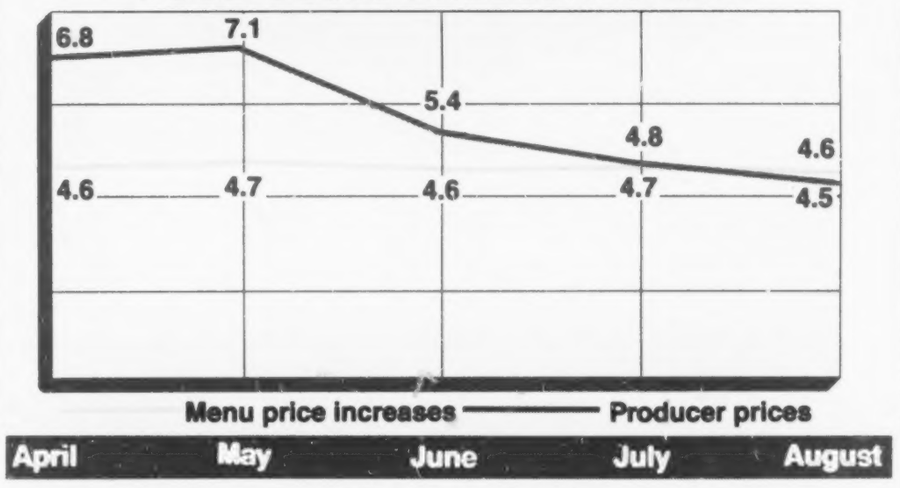

Source: U.S. Census Bureau. Figures are not adjusted for seasonality.

**SUPERMARKETS CLOSE GAP**




Source: U.S. Labor Department. Figures are not adjusted for seasonality.

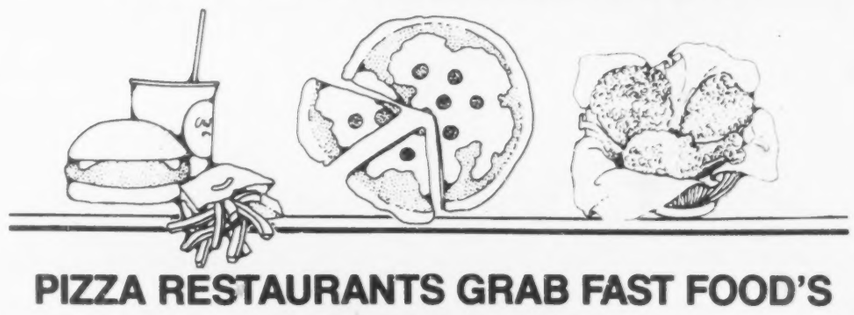
**FOOD COSTS PRESSURES EASE**




Source: U.S. Labor Department. Figures are not adjusted for seasonality.

## FACT FILE

*A look at the statistics shaping the industry*



**PIZZA RESTAURANTS GRAB FAST FOOD'S BIGGEST CHECK**

(average check amount per eater)

Source: NPD CREST Annual Household Report

## FOOD PRICE OUTLOOK

# *Apple prices stay low on carryover*

Because of the springtime pesticide scare, **apple** stocks in controlled atmosphere storage are still large, despite U.S. Department of Agriculture emergency purchases for school lunch and other domestic feeding programs. The new harvest is under way, with the Northwest reporting volume harvests. Prices remain low, with movement below last year's figures at this time.

**Beef** prices are likely to remain at present levels or rise a bit. Producers are holding heifers from the market in order to increase herds, according to reports from the Department of Agriculture. Rains in most of the cattle-raising states indicate a good potential **range feed** situation through next spring.

**Pork** prices remain stable. A small increase in hog production has been met with a similar increase in pork consumption. However, **pork belly** supplies are the largest in years. Bellies are processed into bacon. **Bacon** prices may lower unless the federal government decides to send large quantities of pork bellies to Poland as part of that country's request for food assistance.

**Iceberg lettuce** harvest is moving to the southern end of the San Joaquin Valley in California. Farmers are planting about the same acreage for the fall and winter crops as they did last year. If white-fly activity remains minimal, prices should be at normal seasonal levels through next spring. There is increasing activity in Mexico this year, according to reports. A number of California farmers have entered joint ventures with Mexican growers.

The California **wine** country is holding its collective breath at press-time. Heavy rains for three days threaten grapes used in varietal wines with mildew unless skies clear and weather turns warm quickly. Heavy mildew can ruin grapes for wine and drive up wine prices.

— **Patt Patterson**

## NRN FINANCIAL DIGEST

### Low profits force staff cuts at Skolniks

LOUISVILLE, Ky. — Skolniks Inc., which operates a chain of bagel bakeries and restaurants, said it is cutting staff and otherwise slashing general and administrative costs in the face of expected lower earnings for its fourth quarter and year ending July 30.

The company said it would save about $500,000 in fiscal 1990 as a result of the cost-cutting measures, but it declined to elaborate on the scope of the reductions.

In last year's fourth quarter, the company posted profits of $65,137 on revenue of $2.3 million.

For the year the company's net income was $600,723 on revenue of $9.1 million.

### Applebee's offers 2 million shares

KANSAS CITY, Mo. — Applebee's International Inc., which operates and franchises a 95-unit chain of casual-dining restaurants, said it is offering more than 2 million common shares at $11.50 per share.

The initial public offering comprises 1.4 million shares sold by the company and 630,000 sold by shareholders.

Applebee's said it would use the proceeds from the IPO to reduce debt incurred in the acquisition of the company from W.R. Grace and to build additional restaurants.

Applebee's operates 17 company Applebee's Neighborhood Grill & Bar restaurants and franchises 78.

An additional 18 restaurants are under construction, the company said.

### Pizza Lite finishes private placement

MIAMI — Pizza Lite, an eight-unit pizza chain, has completed a private placement and said it would go public within the next 18 months.

The company declined to divulge the size of the placement.

Funds from the private offering will be used to finance an aggressive marketing campaign, company officials said.

The 3-year-old company is attempting to carve out a niche for itself in the pizza delivery segment by appealing to diet-minded and health-conscious patrons. It offers low-calorie cheeses, salads and yogurt.

Pizza Lite currently operates units in four states, with unit sales averaging $30,000 a month. The company said it spends about 10 percent of revenues on advertising.

### Marriott to franchise Fairfield Inns

WASHINGTON — Marriott Corp., the food-service and hospitality giant, said it plans to franchise its budget-lodging Fairfield Inn concept, bringing the number of inns to 300 by the mid-1990s.

Marriott, which currently owns and operates 39 Fairfield Inns, said franchised properties will account for about 30 percent of the chain.

# FOCUS | OPINION

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# Arby's Leonard Roberts: A true martyr

Almost five years ago Leonard Roberts, then a Ralston-Purina executive, was offered the perilous post of Arby's president and chief executive. This was shortly after conglomerate financier Victor Posner acquired Royal Crown and Arby's.

Executives of Arby's holding company, the DWG Corporation, portrayed the chain as a smooth-running company. Roberts politely turned down the job offer, asserting that he did not want to be a "chief custodian." Nor was he certain that Posner would give him full authority.

DWG approached him four more times with all kinds of inducements over the next few months. But Roberts, seeking a big challenge rather than an efficient operation, said no each time.

But one night in June 1985, Roberts attended a Chicago dinner party with business associates. By coincidence, several Arby's franchisees happened to be at the table where he was seated. They had no idea he had ever been offered the Arby's job, and he did not tell them. He merely engaged them in polite conversation about various matters, including Arby's.

Roberts asked the franchisees what they thought of Arby's prospects. Their answers ranged from hopeless to non-existent. He recalls that they painted a picture of "a constipated bureaucratic organization managed by a group of egomaniacs who had developed a complacency for people and an affinity for mediocrity."

With his flair for the dramatic, Roberts left the room, placed a phone call, returned, and informed the stunned group that he had just accepted the job of Arby's president. "If things really are so bad, this is exactly the challenge I am looking for," he explained.

To the surprise of many observers, Roberts gradually did turn things around for Arby's. He instilled belief in the employees, made them proud to be part of the organization and restored morale. He consistently emphasized Arby's strengths rather than its weaknesses; built a winning spirit; opened up the lines of communication; and encouraged risk-taking innovation, accepting inevitable mistakes witnout penalties.

Over the next few years, Atlanta-based Arby's rose to a leadership position within its fast-food niche as Roberts propelled the chain ahead of its competitors.

He was not afraid to express his pleasure with Arby's success. "It gives me great pride to report that if there were such a thing in fiscal 1988 as a major-league championship game in our industry," he declared just a few months ago, "then Arby's clearly became the world champions within the restaurant industry. . . . We'll repeat our championship in 1989."

Being the proud, impulsive and stubborn person he is, Roberts set himself up for a fall last month after a group of eight major Arby's franchisees offered to buy the chain from DWG and after chairman Victor Posner repeatedly declined to consider their offer. Roberts and Posner had been feuding for some time.

Franchisees alleged that Posner threatened to strip Arby's top franchise executives of their authority and titles and to terminate Arby's relationship with the AFA Service Corp. (the franchisees' marketing group) "to increase profits." Leading Arby's executives had threatened to resign last January when Posner withheld bonuses for all employees.

Like a ray of fresh sunshine in a time of stormy franchisee relationships, Roberts again supported the franchisees — this time by putting his job on the line. He dashed off a letter to Posner, resigning as vice chairman and a director of DWG. These titles were not crucial to Roberts, but the principles were.

While attending a few of the DWG board meetings, Roberts wrote to Posner: "I have seen every form of intimidation displayed by you. . . . Board members, including myself, are intimidated by you during the meeting to acquiesce and sit idly by, and quickly approve your predetermined decisions."

Roberts added that "you have unilaterally determined Arby's is not for sale; you have refused to meet with representatives of R.B. Partners, who are among the largest and most influential franchisees in the Arby's system; and you have stated that you will not present the offer to the DWG board for its consideration, thus preventing the board from exercising its fiduciary responsibilities to its shareholders."

Renee Mottram, DWG executive vice president, called Roberts' assertions "untrue in all respects." Posner promptly fired Roberts as Arby's president and chief executive, as Roberts surely knew he would. DWG itself has been under a hostile takeover siege.

Posner declared shortly afterward that Arby's simply is not for sale "because I am extremely pleased with the operating results and progress achieved under my overall management and the operating management team [that was headed by Robert] that had been selected by me." He deplored "the divisive tactics" of the R.B Partners franchisees "in persisting in their efforts to purchase a company which is not for sale by its sole shareholder [Posner]."

Posner termed "equally disappointing the actions of Leonard Roberts, which led to his termination by the Board of Directors of Arby's."

Roberts also had vigorously opposed Posner's efforts to move Arby's headquarters from Atlanta to Miami Beach, at or near DWG's and Posner's offices. Such a move, now expected shortly, would further undermine Arby's independence.

In a surprise move, Posner named Irving Riese, a longtime friend, to succeed him as president. This means Irving and Murray Riese and their New York-based Riese Organization will manage Arby's.

They may have a financial stake in Arby's or may obtain significant ownership. They already possess an Arby's franchise operation in the New York area.

The widespread Riese empire, which by some estimates owns or controls some 500 restaurants in the New York area and many other states, has a majority interest in Houlihan's. Managing and/or owning Arby's could pose a potential conflict of interest since Riese operates a Roy Rogers franchise along with Burger King, Pizza Hut, and numerous other franchises.

The Arby's Franchise Association expressed "shock and outrage" at Posner's "unfounded" firing of Roberts, "especially in the light of Arby's outstanding achievements during Roberts' leadership." The AFA also expressed dismay at Posner's choosing Irving Riese as the new president.

Posner defended the actions and lauded the Rieses as "proven outstanding operators." He also emphasized that Arby's "did not and has never threatened to terminate its current relationship" with the AFA Service Corporation.

Once again, the corporate mentality, as evidenced by Posner, has triumphed over the entrepreneurial approach, as represented by Roberts. In any case it is not a healthy situation for Arby's or the industry.

## *LETTERS*

### *The unfair 'witch hunt' on the nation's smokers*

Editor, NRN:

In response to the June 19 letter written by Gerald W. Bracey of Denver, "Smokers have no rights."

Bracey, in my opinion, is typical of the contingency that hysterically "swallows" colorized studies to fit their own particular bias.

Surgeon General Koop's studies on smoking have been challenged and criticized by scientists around the world as non-conclusive.

How myopic of Dr. Koop and his constituents to pit individual against individual (smoker against non-smoker) rather than mount a campaign to stop the rampant pollution of our entire environment.

Water pollution, air pollution, and ground pollution. These are truly cancer-conducive.

I am not advocating that anyone begin smoking.

However, I maintain that it is an individual's right to choose, and I resent the "witch hunt" mentality of the "smokers have no rights" faction so pervasive in the country today.

Furthermore, I do not agree with the mentality of prohibition, McCarthyism, Koopism or Braceysim.

**— Joan Cobane**
Hospitality Plus
Huntington Beach, Calif.

*Nation's Restaurant News welcomes letters on timely topics. All letters appearing in NRN may be edited for reasons of space or clarity. NRN cannot consider unsigned letters, but will withhold names on request. Letters should be addressed: Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

# IFMA forecasts 2% growth

(Continued from page 1)
In addition, the dollar figures are not actual revenue but equivalent consumer expenditures, a calculation that multiplies non-commercial revenue by a factor of two in order to simulate economic parity with the commercial sector.

By those calculations, the 2-percent gain will yield overall food-service sales of $244.9 billion next year, up from $230.5 billion this year.

Commercial operations will increase 2.2 percent, to $174.3 billion, compared with a 3-percent rate this year.

Non-commercial will gain 1.5 percent, to $70.6 billion, slower than 1989's 2.2-percent rate.

Besides predicting a continued slowing in the rate of sales growth in most segments, Technomic officials noted that many restaurant companies have been unable to translate hard-won sales gains into higher profits.

"Increases in income are not keeping pace with revenues," Technomic vice president David C. Berkermeier told attendees at the San Francisco conference.

Total food-service revenues for the 90-plus public companies followed by Technomic increased by 11 percent in 1989, compared with a similar period in 1988. However, the net income for those companies, as a group, rose by just 9 percent, Technomic officials said.

Technomic senior principal Robert Goldin blamed discounting for the industry's profit margin problems. "Couponing ties right in," he said.

Discounting plays a role in about 20 percent of all transactions at quick-service restaurants and 15 percent of the business done at full-service establishments, Technomic said.

Since 1984, Berkermeier said, discounting has leaped 67 percent at fast-food restaurants and 88 percent in full service.

Higher wages stemming from a shortage of qualified labor are also pressuring bottom lines, Technomic officials said.

Saturation is apparently adding to operator woes as well. Technomic cited figures suggesting that there are now 2,700 persons in the nation for every restaurant, down from 7,000 per restaurant a decade ago.

Acknowledging that Technomic's forecast has been proved too pessimistic two years in a row, Goldin asserted, "We'll say it again this year: 1989 was better than we expected, but we think growth will slow down next year."

The 1988 forecast called for total food-service sales to grow by 1.2 percent in 1989. But Technomic has revised its estimate to 2.8 percent, based on first-half results.

Goldin said current economic indicators "are not overwhelmingly positive, but neither are they indicative that we are heading for a recession."

Technomic is forecasting sales gains of about 2.2 percent for separate eating places — which include quick-service restaurants, commercial cafeterias, full-service restaurants, and lunch rooms — down from the 3.2-percent growth rate projected for 1989.

"Right now independents are getting beat up pretty badly. They're losing sales to the chains," Berkermeier said.

*Goldin asserted, 'We'll say it again this year: 1989 was better than we expected, but we think growth will slow down next year.'*

## *1990: Segment By Segment*

**Faster growth**

- Retail hosts (food-service establishments in general merchandise stores, drugstores, convenience stores, markets, and other retail outlets) — up 3 percent, to $14.8 billion, compared with 1989's projected gain of 2.2 percent.
- Colleges and universities — up 1 percent, to $6.6 billion, from .5 percent in 1989.
- Drinking places (food sales only) — up .5 percent, to $1.4 billion, from zero growth in 1989.
- Other non-commercial (penal institutions, convents, child-care centers, and passenger liners) — up 4 percent, $2.6 billion, from 3 percent in 1989.

**Steady growth**

- Schools — up .5 percent, to $9.14 billion.
- Lodging — up 1 percent, to $7.83 billion.
- Convenience stores — up 4 percent, to $6.38 billion.
- Commercial cafeterias — up 2 percent, to $4.49 billion
- Airlines — up 5 percent, to $4.37 billion.
- Nursing homes — up 3 percent, to $3.97 billion.
- Military — no growth, $3.1 billion.

**Slower growth**

- Full-service restaurants — up 2 percent, to $69.22 billion, from 3.5-percent growth in 1989.
- Fast food — up 2.5 percent, to $68.3 billion, from 3 percent.
- Business and industry — up 1.5 percent, $17.28 billion, from 3 percent.
- Health care — up 1.4 percent, to $11.3 billion, from 1.6 percent.
- Recreation — up 3 percent, to $8 billion, from 4.9 percent.
- Hospitals — up .5 percent, to $7.3 billion, from .8 percent.

Note: Growth figures are adjusted for inflation and omit all sales of alcoholic beverages.
In addition, dollar figures are not actual revenue. Instead, they are equivalent consumer expenditures, a calculation that multiplies non-commercial revenue by a factor of two to simulate economic parity with the commercial sector.

Source: IFMA, Tecnomic Inc.

# Domino's nixes buyout

(Continued from page 1)
Bruckman, director of franchisee concerns, a liaison job filled with a franchisee. "It's their feeling that the price would be so high as to make it prohibitive for an insider or franchisees to pursue."

"But I know the franchisees are quite excited about it," Bruckman said.

One of the franchisee groups considering a buyout is being led by Glenn Mueller, president of Domino's largest franchisee, RPM Pizza, Gulfport, Miss.

Mueller said that his group has consulted with executives in Ann Arbor or investment bankers. Mueller said he believes his is perhaps one of many franchisee organizations with similar ambitions.

"Several of us are looking at what's there and how to go about it," Mueller said. "We'd be crazy not to."

RPM operates nearly 300 units in New York, Mississippi, Louisiana, New Jersey, Michigan, and Canada.

Some franchisees have expressed regret and concern about the possible sale of the company. But since more than two-thirds of the 5,000-unit chain is operated by franchisees, any new owner would have to appease and win the support of the licensees, Mueller noted.

"Anybody buying the company can't afford to alienate the franchisees," Mueller said. "The franchisees have everything to gain and nothing to loose."

Food service offers few examples of franchisee groups buying out their franchisors.

Recently, corporate owners rebuffed a group of Arby's franchisees offering $200 million for the company.

Bruckman said few franchisees were shocked or surprised because the rumor mill had long fueled the notion that their much-admired chairman was looking to sell the company.

"But no one can really say how the franchisees feel until we know who the owner is," Bruckman said. "Still it would be exciting and a good thing to have some fresh ideas."

Some Domino's licensees said they, too, would oppose a franchisee buyout.

*'Several of us are looking at what's there and how to go about it,' Mueller said. 'We'd be crazy not to.'*

"I just don't know if that would be in the best interest of the company," said David Knapp, president of Asheville Pizza, Asheville, N.C., a six-unit franchisee. "I'd love to see a big company with lots of cash like RJ Nabisco, Coca-Cola, or Pepsi buy it."

Another franchisee agreed, arguing that Domino's management needs to be challenged and "fired up" by outside shareholders, not franchisee owners.

He said outside owners would hold Ann Arbor management to a higher standard of performance and accountability than that pertaining to internal owners.

"You know, this is an arrogant company," the licensee said, asking to remain anonymous, "because we promote and hire from within, we promote drivers to the boardroom, and until we have an aggressive, risk-taking management whose actions are evaluated by outside shareholders, they're not going to take any risks.

"I think outside shareholders are the only way we'll be the McDonald's of the segment."

# ShowBiz revamps Monterey

(Continued from page 1)
We've got larger portions, better quality, and much more variety with salads and chicken dishes."

The revamped units have more windows and a border-town decor featuring red clay, Mexican tile floors, and walls decorated with sombreros. Conversion costs are running about $150,000 per unit.

Average per-person checks in the new units have remained roughly the same, in the $4.90-to-$5 range.

But sales at those units are up more than 10 percent from last year's figure.

"It may be even more than that," he said, "because the sales were trending down. We not only stopped the decline but have gone positive as well."

The company plans to operate 26 Monterey's — 20 in Houston; four in Tulsa, Okla.; one in Temple, Texas; and one in Bryan, Texas.

As for the other 26 restaurants, mostly in Tulsa, Oklahoma City, Dallas, and Houston, Frank said they should all be closed by Nov. 1. ShowBiz is currently in negotiations with the landlords of the leased properties and plans to sell the units it owns, Frank said.

The Monterey House chain, founded more than 20 years ago, was in Chapter 11 proceedings when it was purchased by Brock Hotel Corp. in the fall of 1987 for $10 million. When Brock — now Integra — spun off ShowBiz in 1988, it sold the then-58-unit Monterey House chain to ShowBiz for $11 million.

"We were hoping to turn the business around from a sales standpoint," Frank said, "so it could become part of the corporation.

"Our objective in this decision was one, how do we optimize this business unit in terms of value for the shareholders? And two, what is the quickest and most effective way to get this business unit to a viable, profitable concept for the company? Scaling back to 26 was the conclusion we came up with.

"Our focus right now is to get the restaurants that have not been remodeled remodeled and to bring in the same performance as the ones that have."

The decision to close the restaurants will result in an extraordinary pretax charge of about $4.5 million for ShowBiz's third quarter ended Sept. 29, according to a company release.

The Monterey House restaurants had been draining $500,000 annually from the company, it said.

ShowBiz said its loss would be partially offset by a gain of about $1 million from the sale of the closed properties. In last year's third quarter, the company posted net income of $895,000 on revenue of $39.9 million.

Monterey House restaurants accounted for about 15 percent of ShowBiz's annual revenue.

## FOOD WATCH

(Continued from page 1)
teriyaki, and a casserole.

Several other Japanese restaurants around town will be serving fugu sashimi for about $60 per person.

Those prices may be bargains compared with the tab in Tokyo, where connoisseurs typically pay $400 per person.

Kuraoka said the Food and Drug Administration allowed fugu to be served only after setting stringent safeguards, such as certifying chefs as experts and kitchens as impeccably clean and limiting the season.

**— Rick Telberg**

C5150-5

**FOCUS**

***Southwest gets just desserts***

Focus section follows page 24

**LEGISLATION**

***Operators swarm for NRA confab***

See story page 7

***rateurs***

***vists***

story page 7

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# BK pins turnaround hopes on ads

## *New campaign, service programs anchor doldrum-busting strategy*

**By Rajan Chaudhry**

MIAMI — Burger King has launched a new advertising campaign and several unit-level operations programs as part of a broad-based turnaround strategy designed to erase past mistakes and establish service as a competitive point of difference.

And while key executives at the industry's second largest restaurant chain are touting service and the new umbrella ad campaign as keystones of its comeback agenda, clearly new products will continue to play a big part.

Burger King is currently expanding its double cheeseburger line and exploring additional product introductions.

**McDonald's pizza Rollout expected**

story on Page 2

Burger King recently kicked off its new campaign, "Sometimes You've Gotta Break the Rules," with a flood of TV and radio spots. It is the first major team effort of New York agencies Saatchi & Saatchi Advertising and D'Arcy Masius Benton and Bowles, which have shared the chain's $215 million account since May.

In addition to the advertising onslaught, Burger King is adding several customer service initiatives including: a national toll-free 800 number that will handle customer inquiries 24 hours a day; a "mystery shopper" quality assurance program that scores employees on appearance and attitude and restaurants on cleanliness; new menu boards with color coded bars that

*(See **BK**, page 65)*

## *Hopeful franchisees eye new commercials*

**By Bill Carlino**

MIAMI — After three years of watching highly touted advertising campaigns produce the feeble consumer impact of pet rocks or Nehru jackets, Burger King franchisees are gauging the chain's new creative slogan, "Sometimes You've Gotta Break the Rules," with guarded optimism.

Created by Burger King's dual agencies of D'Arcy, Masius, Benton & Bowles and Saatchi & Saatchi, the long-awaited radio and TV effort combines celebrity performers with a focus on customers rather than product.

Some licensees feel the radical departure from Burger King's past marketing strategies may be the long-awaited elixir for the chain's sales slump.

"I've seen the commercials, and I think that they're 100 percent better than anything N.W. Ayer or J. Walter Thompson ever put out,"

*(See **FRANCHISEES**, page 65)*

# Hurricane batters Carolina restaurants

## *Rattled operators scrambling to recover*

**By Jack Hayes**

CHARLESTON, S.C. — The city that weathered the cannon blasts of the British in the Revolutionary War — becoming a model of quaint East Coast hospitality and top seafood dining — is still shell-shocked from its nightmarish pounding by a cruel adversary called Hurricane Hugo.

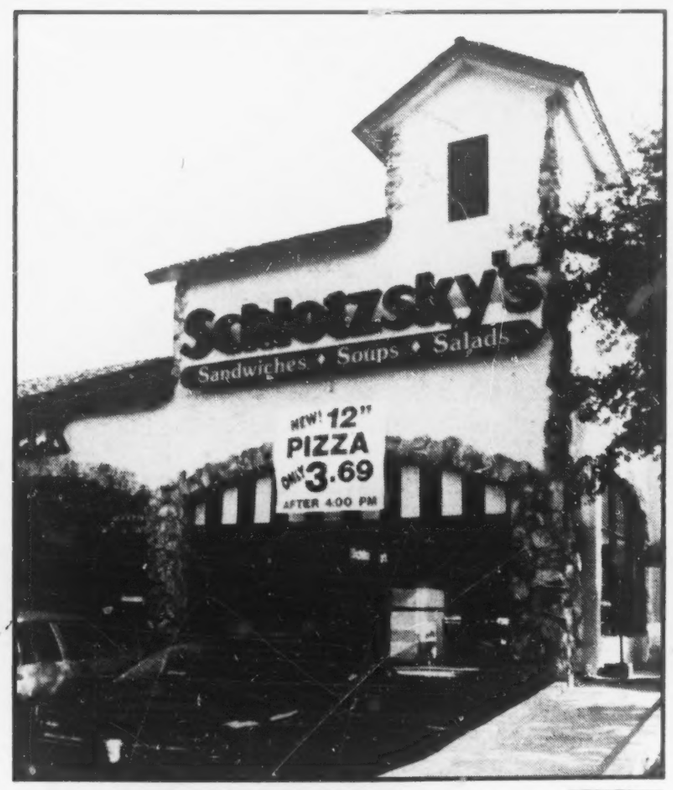
As Charleston's stricken restaurateurs and hoteliers pulled themselves out of the rubble left by the fierce storm — waiting without power and under the restriction of curfews in some cases for more than a week — many of them were afraid to ask where they would find the customers to keep operating.

"We get more pessimistic as we go along," said Walter Anhalt, director of the Charleston campus of Johnson & Wales University — many of whose students and faculty are employed in local restaurants. "The hospitality industry here has been knocked flat on its you-know-what."

Meanwhile, hotels within a 100-mile radius of the city — as far south as Savannah, for example — were sold out to the last room, while those even partly open in Charleston were boasting total occupancy at presstime.

"Our Savannah property is at 100 percent," reported Shira Miller, of the Days Inns Management Co., which has three of four Charleston units

*(See **HUGO**, page 4)*




NRN Photo

**A Schlotzsky's unit advertises its pizza.**

# Schlotzsky's rolls out pizza

**By Tracey Taylor Woodard**

AUSTIN, Texas — Schlotzsky's sandwich chain has launched an extremely low-priced pizza in an effort to juice up traditionally slow dinner sales.

The pizza will cost just $3.89 — almost half of what the nearest competitor of the 250-unit chain charges.

Available after 4 p.m. in all 24 company-owned stores, the 12-inch pie comes in four varieties — cheese, pepperoni, sausage and deluxe — for one price ($3.89).

"The oven was warm, the [employees] were here and the lights were on," said Schlotzsky's chairman, Thomas C. Thompson. "We needed something to draw people in. Pizza can do this."

Schlotzky's is just the latest operator hoping

*(See **SCHLOTZSKY's**, page 65)*

**FOOD WATCH**

## *Syrup is* hot *at IHOP*

Warming to the advantages of value-added breakfast enhancements, a growing number of International House of Pancakes franchisees are serving heated syrups with their pancakes, french toast and waffles.

"My customers love it," said Herb Hedenberg, whose IHOP branch in Glendale, Calif., uses a coffee urn and insulated carafes to deliver the hot-syrup option. Servers' suggestive buttons do the merchandising.

In Seattle, Steve Terpstra's servers offer hot pecan and maple syrups when he takes breakfast orders; 99 percent of his guests accept. "It makes the customer feel special," Terpstra noted.

All the maple syrup served by Chicago franchisee Mark Schiltz is heated in the soup well during breakfast hours and in the microwave the rest of the day. "It not only makes the syrup taste better; it also enhances the taste of whatever you are putting it on," he said.

**— Richard Martin**

CHARLES BERNSTEIN ON THE EXTENSIONS TRAP: ONE NICHE PREVAILS — Page F3

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# NEWS DIGEST

## House votes down Section 89 law

WASHINGTON — In a break for restaurateurs, the House of Representatives has voted to repeal Section 89, a controversial tax regulation that requires employers to prove with reams of paperwork that they do not discriminate when doling out benefits.

However, a movement is afoot in the Senate to replace the provision with an alternative that would also handcuff operators when implementing health programs. The so-called Bentsen alternative, named after Sen. Lloyd Bentsen, would require restaurateurs to match an executive-oriented benefit program with a similar offering for lower-echelon employees.

Section 89 was included in the Tax Reform Act of 1986 but did not go into effect until this year. The provision drew a fierce outcry from restaurateurs and other small-business operators, prompting Congress to deny funds for enforcement until the measure could be modified or repealed.

## Wendy's bails out 51-unit licensee

RENTON, Wash. — In its latest resuscitation of an ailing franchisee, Wendy's International has acquired 51-unit Wendco Northwest L.P. here for an undisclosed amount of cash and stock.

The troubled franchise partnership bought the outlets from Wendy's in 1985 for $23.5 million and had since reported stagnant sales and multimillion-dollar annual losses. The group's liabilities reportedly exceeded its assets by about $9.2 million as of last December.

Although partners in the group suffered major losses on their original investments, Wendy's bought them out with a choice of cash or new Wendco Ltd. stock with assured repurchase value and dividends. Wendco's units are in Portland, Ore., and around Puget Sound, Wash.

## Curt Carlson hands reins to son-in-law

MINNEAPOLIS — Curt Carlson, a Swedish immigrant who parlayed a small trading stamp business into Carlson Cos., the $5 billion-a-year hotel and restaurant empire, has stepped down as chief executive.

Carlson, 75, transferred the chief executive's reins to son-in-law and president Edwin "Skip" Gage, 47. The move gives Gage day-to-day control for TGI Friday's, Country Kitchen and Radisson Hotels.

However, Carlson will remain chairman of the TGI Friday's, Radisson Hotels and the company's 900 "Ask Mr. Foster" travel agencies.

In 1938 Carlson secured a $50 loan and began selling trading stamps to grocery stores. In 1960 he bought his first hotel, the Radisson in downtown Minneapolis.

## Perry, promoted at Carl's, may head up company

ANAHEIM, Calif. — Carl Karcher Enterprises, parent of the 500-unit Carl's Jr. fast-food chain, has promoted Raymond J. Perry to executive vice president in charge of day-to-day operations and management.

His new role, a step up from group operations vice president, puts him in line to head the company, according to president and chief operating officer Donald Karcher, 62, the brother of chairman and chief executive Carl Karcher, 72. However, the brothers plan to remain active for the foreseeable future, the younger Karcher indicated.

Perry, 48, was president of Straw Hat Pizza and a veteran of Saga Corp. and Frisch's Restaurants before he joined Carl's Jr. in 1986 and revamped the chain's unit management and training systems. "His experience, spirit and strength in operations have been major factors in our sales growth," Donald Karcher said.

## *McDonald's pizza set to roll nationally*

OAK BROOK, Ill. — McDonald's Corp. plans to roll out its 14-inch pizza product to its more than 8,000 U.S. stores, according to reports published in the Wall Street Journal.

A McDonald's spokesman would not confirm the reports but suggested the test — currently limited to 24 stores in Evansville, Ind., and Owensboro, Ky. — may be expanded to new markets.

The product is selling well, he said, but further improvements — such as changing to fresh dough from frozen — may be made as the test is widened.

Leslie Steppel, an analyst with Prudential-Bache Securities, said she expects a nationwide rollout of McDonald's current pizza product, but she noted that the introduction would take from one to three years.

Although the pizza ovens themselves — really five ovens stacked vertically — take up only about 3.5 square feet, modifications must be made to some units. In older stores, for example, wider drive-thru windows must be installed to accommodate the pizza boxes.

## Copeland seeks cost cuts in switch to precut birds

JEFFERSON, La. — Al Copeland Enterprises is attempting to cut labor expenses at its newly acquired Church's fried-chicken chain by purchasing precut poultry instead of butchering whole birds in the restaurants.

The move will slash the company's payments for workmen's compensation and liability insurance, according to Copeland. The company also operates the Popeyes chain.

The switch was disclosed during a meeting of Church's shareholders, who were convened to approve the company's sale to Copeland for $392 million.

## Roy Rogers follows McD with sandwich rollout

WASHINGTON — Marriott's Roy Rogers fast-food chain has followed McDonald's lead by rolling out a new sandwich made with a deep-fried chicken patty.

In an attempt to differentiate the item from the multitude of competitive products already on the market, Roy Rogers has dubbed its offering the Big Chicken Sandwich. A supporting advertising campaign focuses on the sandwich's size.

The Big Chicken Sandwich was being offered at an introductory price of $1.99.

## Arizona associations join forces for show

PHOENIX, Ariz. — The State of Arizona Restaurant Association and the Arizona Hotel & Motel Association will join forces for the first time ever at the Arizona Restaurant and Lodging Show Oct. 17 and 18 here.

About 6,000 restaurateurs and hoteliers are expected to make the trip to the two-day show to experience 400 supplier booths, a golf tournament, National Restaurant Association seminars, and Techniques of Alcohol Management training, said ARA administrative director Penelope Miedaner.

## Perkins adds 401K plan for hourly employees

MEMPHIS, Tenn. — Perkins Family Restaurants has launched a 401K retirement plan for hourly employees in a determined bid to recruit and retain non-salaried workers.

Employees can invest as much as 10 percent of their gross pay in the company's pension plan. Perkins matches 50 percent of the first 6 percent of a worker's contribution.

FINANCIAL NEWS

# Skyline Chili shifts focus after third-quarter loss

By Carolyn Walkup

CINCINNATI — Skyline Chili's new president said he plans to "stop the bleeding and refocus all efforts" to avoid further losses, following the company's $233,000 third-quarter loss.

In the year-ago third period, the company netted $157,000.

President William Kagler blamed Skyline Chili's latest-quarter performance on restructuring costs associated with the closing of six unprofitable restaurants.

Annualized operating losses at those units, located in Cleveland, Toledo and Indianapolis, exceeded $195,000, he said.

Kagler noted general shortcomings in location, marketing, training and franchisee relationships. He discovered a need for improvement in those areas, he said, when he took over as president and chief executive officer last May, having succeeded Thomas Bell.

Before taking charge at Skyline Chili, Kagler was president of Kroger Co. and a Skyline Chili board member.

Despite the closings, for fiscal 1989 Kagler projects a 25-percent sales increase, to $18 million, which includes sales of frozen chili grocery products.

*'We will focus the dollars in fewer, more profitable markets,' said Kagler.*

"This fall we expect to come up with a better definition of the kinds of areas where we want to put stores instead of just responding to real estate brokers," Kagler said.

The Toledo closings mark a withdrawal from that market, but other Skyline units continue to operate in Indianapolis and Cleveland.

Newer company-owned stores in Dayton and Columbus, Ohio, are doing well, Kagler reported.

To date, 25 Skyline Chili restaurants are owned by the company and 52 are franchised.

Recently, the chain expanded its line of frozen groceries to 13 markets. Kagler, however, plans to scale back those markets to eight and promote the products more heavily. Discontinued markets will be those farthest from Cincinnati, he said.

By concentrating advertising and marketing efforts on markets where Skyline has both restaurants and frozen products, the company will "spread advertising costs over a bigger sales base," Kagler explained. "We will focus the dollars in fewer, more profitable markets."

Some of the savings Skyline will realize from budget cuts will be reallocated to other areas, particularly training and development.

The company has hired a new director of human resources, Leonard Ours, who formerly held a similar position with Wendy's in the Cincinnati area. He will be responsible for instituting new training procedures, Kagler said.

**Skyline Chili**
Cincinnati, Ohio
**Founded:** 1949
**Number of units:** 77
**Average per-store sales:** About $450,000
**Per-person average:** $3.75
**Leadership:** William Kagler, president and CEO
**Ownership:** Public with majority of shares owned by Lambrinides family

Other improvements include building a new commissary and warehouse in the Cincinnati area. "We have outgrown our present site," Kagler said. The current facility is 30 years old, he noted.

If Kagler succeeds in solving Skyline's problems, he said he expects to resume the chain's growth.

He also said he is pleased by the company's comparable-store sales increases, which are running from 5 percent to 10 percent more than last year's results.

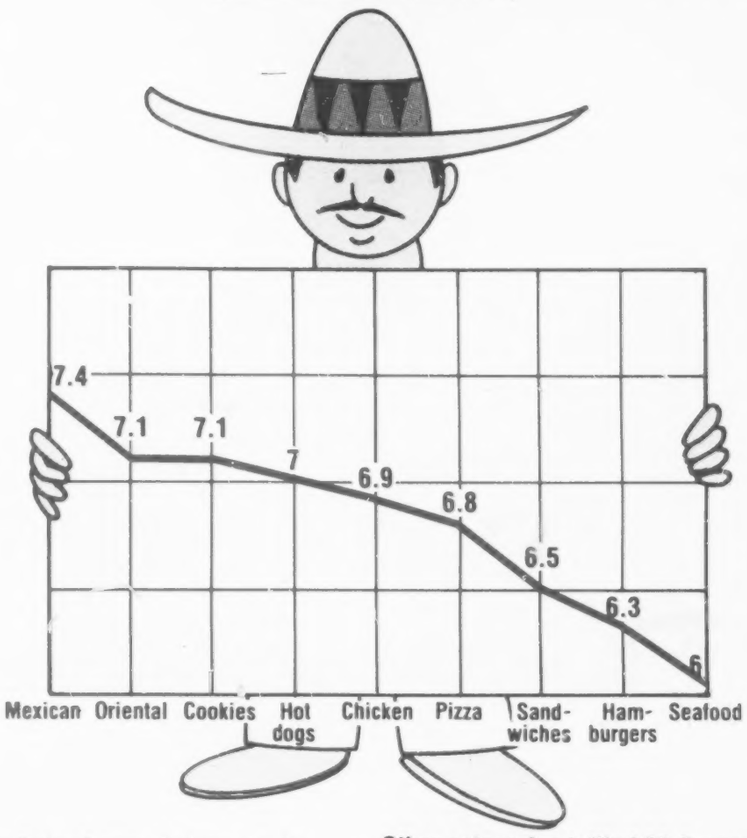
"We are encouraged by these real sales gains, but we still intend to promote aggressively," he said.

Several upcoming promotions will be tied to Skyline's 40th anniversary celebration this fall, he noted.

## FACT FILE

*A look at the statistics shaping the industry*

**MEXICAN FOOD ADDS SPICE TO MALL SALES**
(percent of food court sales)




Source: CarlsonReport, Indianapolis, Ind.

**Other categories tallied 38.9 percent.**

## NRN FINANCIAL DIGEST

### Vicorp lifts net income 41%

DENVER — Vicorp Restaurants Inc. said a comparable-store sales hike of more than 8 percent helped squeeze a 41-percent increase in net income, to $2.6 million, from a 10-percent hike in revenue, to $85.4 million, for the third quarter ended Aug. 6.

During the latest quarter operating profits outstripped last year's third-quarter results by 15 percent, the company said.

For the August-ended nine months, net income advanced 67 percent, to $6.7 million, on an 11-percent rise in revenues, to $276.4 million.

Vicorp operates and franchises about 400 family-style restaurants under the Bakers Square and Village Inn banners.

### TCBY's profits rise 46%

LITTLE ROCK, Ark. — TCBY Enterprises Inc. said an increase in the number of stores in operation more than offset a 1-percent decline in same-store sales to boost net income 46 percent, to $11.5 million, for the third quarter ended Aug. 31.

Sales and franchising revenue for the latest quarter increased 44 percent, to $47 million.

The company blamed record rainfall and tough comparisons for the quarter's comparable-store sales decline.

In the latest nine months, TCBY posted a 55-percent year-to-year increase in net income, to $23.3 million, on a 54-percent increase in revenues, to $112 million. And same-store sales advanced 6 percent, the company said.

TCBY, with about 1,500 units, is the largest franchisor and operator of soft-serve frozen-yogurt stores. In August it opened its first joint-venture unit with Marriott Corp. at Lambert Field International Airport in St. Louis.

### Vie de France loses $3.2M for year

MCLEAN, Va. — Vie de France Corp. said asset write-downs, unit closings and terminations of franchise agreements contributed to losses of $1.1 million dollars for the fourth quarter and $3.2 million for the year ended June 24.

In last year's fourth quarter, the company lost $1.2 million, while its net income for the year was $405,923.

Sales for the quarter rose 17 percent, to $21.9 million, and 20 percent for the year, to $77.6 million.

The company — which operates restaurants and a wholesale bakery business and has begun development of a sous-vide production plant — also cited employee health insurance, workers' compensation costs and start-up costs associated with its sous-vide operation as reasons for its problems.

The company said that, as a result of the losses, it has restructured its restaurant operations to focus on improving operating performance and developing its franchise business.

## FOOD PRICE OUTLOOK

# *A good look at winter-spring prices*

In the **canned and frozen vegetable** arena, we are getting a clearer picture of what lies ahead for winter and spring supplies and prices. The outlook is neither all gloomy nor all bright. Some products will be in good supply, some in tight supply.

In good supply and with probably stable to lower prices are canned **tomatoes** and **tomato paste**. Canned **peas** will be in good supply for Extra Standard and mixed, tighter supplies of Fancy, especially smaller-sieve sizes. Canned **green beans** will be in good supply, with prices on Extra Standard down a bit. Canned **corn** is in fair to good supply, depending upon the area, and prices will probably remain about where they are now. Fancy may be tight in some areas.

Canned **asparagus** supplies are tighter, with prices moving up. Canned **mushrooms** are in adequate supply, but the cost of raw materials is pushing prices up. Canned asparagus prices are steady but are expected to rise on a smaller-than-normal supply.

Frozen **peas** appear to be in good supply. **Green beans** are also up from last year's quantity. **Corn** may not be as plentiful as had been hoped, particularly on-the-cob, but supplies will be far better than last year's, with prices firm. Frozen **broccoli** supplies look good, with both the California pack and Mexican imports up strongly from last year's figure.

Price increases seem to be in sight for frozen **lima beans,** both Fordhook and baby varieties. Expect the trend to move upward into spring. Frozen **cauliflower** supplies are tighter than had been anticipated, with prices firm and expected to go higher. Imports have been down. **Potato** supplies are fairly tight, and frozen **french fries** will probably be in short supply, especially in the top grade. Expect prices to move up.

**— Patt Patterson**

# FOCUS | OPINION

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# *The extensions trap: One niche prevails*

With operators merging or being acquired faster than the deals can be reported and with new menu items and spin-off concepts proliferating, the thought of focusing on one segment, one chain, or one niche seems lost in a maze.

The idea of being all things to all people has more appeal today than the quest to concentrate on a specialty. Yet the latter, if properly fulfilled, almost invariably produces profits and success in food service or any other business, while the former is too broad and leads to failure.

**Editor's Corner**

Charles Bernstein

Al Ries, the author and positioning expert who constantly reminds us to keep our eye on the ball and fights to stop us from jumping too far afield, offered some penetrating advice at Nation's Restaurant News' annual Multi-Unit Food Service Operators (MUFSO) Leadership conference in New Orleans last month.

Ries, the co-author of "Bottom-Up Marketing," astutely implied at MUFSO that straying from niches indicates a lack of discipline but also a "top-down" marketing-management approach, where ideas emanate only from the executive suite rather than from the front-line troops, who can better sense what is happening.

He derided "endless menu extensions," and he asserted that "the road to disaster is paved with all kinds of improvements." He again unveiled charts and made personal observations, noting that while Burger King has eight different hamburgers, compared with five offered at McDonald's, "does that mean Burger King outsells McDonald's eight to five or outsells them at all?"

Ries extended his thesis to postulate that McD would be averaging perhaps $1.7 million sales per unit instead of $1.5 million if it had stuck to its original eight-item menu "instead of rolling out constant line extensions, McChicken, McPizza and everything else. Just the hamburger and a few other items are plenty good enough."

Some of the operators attending MUFSO scoffed at Riese's assertions, calling them pie in the sky. Perhaps they are exaggerated, but they illustrate the crucial need for a constant focus and dramatize the idea that less is better than more.

Riese advocated never using the same name on line extensions and maintained that "it's better to be first with something new than to just try to keep getting better with the same concept."

His classic quote: "Diversification of anything is a short-term stimulant, but it's also a long-term depressant."

His simplest and best example: Domino's Pizza, hammering away at the one idea of home delivery while competitors try to combine sitdown, take-out and home delivery.

Herman Cain, Godfather's Pizza president, made an even stronger case for focus and niche marketing in his concluding MUFSO address. He recalled that when he took the helm a few years ago he found that the chain had been "trying to play someone else's game with endless line extensions. It simply had lost focus."

Expounding on his own version of bottom-up management, Cain said he listened carefully to his franchisees and middle-management operations people rather than to his top executives. "The message that came through," he observed, "was that we had been trying to outmuscle the larger competitors at their own game, on their battlefield."

Once Godfather's began to focus on its strengths and niches "where we could win," things turned around. "Diversity is for the big players who can afford mistakes. They can tolerate the bureaucracy that creeps into an organization when you are trying to be the biggest. Focus has now become such a part of Godfather's culture that it influences our decision-making about strategy, tactics, operations, marketing, organization and standards."

A perfect example of niche-marketing and focus-management is that of the Tampa, Fla.-based Shells 16-unit seafood chain. Shells does not try to compete with local seafood houses or Red Lobster or be all things to all people.

As described in Jack Hayes' Southeast Report column in Nation's Restaurant News Oct. 2, Shells president John Christen zeroes in on offering the best crabs with maximum value, serving only dinner, and catering only to cash customers. As an added touch, Shells, although located nowhere near a beach, emphasizes unique "coastal-beach" decor.

Discussing his company's longtime decision "never to sell out and never to franchise," Daniel Evans, Bob Evans Farms chairman, deplored "the unfriendly takeovers we are witnessing today" and declared that "we feel strongly about our ability to grow and guide the company in the right direction without outside interference."

The winners in the 1990s will not be chains that merely call themselves seafood houses, steak houses, pizza shops or coffee shops. They will not be those committed to endless menu-line extensions. And they will not be those that sell out to the highest bidder.

The winners will be those dedicated to a specific niche and focus, to excelling in their core products.

## *LETTERS*

### *Jerrico chairman leaves an industry he adored*

Editor, NRN:

Your Editor's Corner column was most flattering and sincerely appreciated. While you may have given me more credit than I am due, I still regard the article as an excellent commentary.

As I am about to leave the industry, I am remembering the good things, good times, and all of the good folks throughout this industry with whom I have been involved. It is with this spirit that I sincerely send you best personal regards.

**— Warren W. Rosenthal**
*chairman*
Jerrico Inc.
Lexington, Ky.

### *Restaurateurs: To comp or not to comp a meal?*

Editor, NRN:

We in our company are continually having discussions on when someone should or shouldn't comp a meal. I am sure many restaurateurs have the same problem of knowing what kind of policy to establish in order to satisfy the customers and managers.

I was wondering if your readers could send in their policies on comping meals for customers. It would make interesting reading. It's just a thought for a problem that has been in this great industry since time began.

Again, thank you for your enlightening, educational, thought-provoking editorials.

**— Robert E. Farrell**
*chairman*
Newport Bay Restaurant and Seafood Broiler
Portland, Ore.

### *Reagan's cookie passion proves to be fun for all*

Editor, NRN:

I just wanted to alert you to the delightful consequence of an article in "Nation's Restaurant News" that referred to President Reagan's passion for chocolate chip cookies. Your article initiated correspondence between Edward A. Pritchard, executive vice president of Doubletree Hotels, and President Reagan.

Since 1986 Doubletree has been distributing its freshly baked chocolate chip cookies as a welcome gift and complimentary late-night snack to guests across the nation. And, after reading the article in your publication, Pritchard wanted President and Nancy Reagan to experience the delicious Doubletree chocolate chip treat.

Thus, six tins of Doubletree cookies were delivered to President Reagan's office. Obviously, from the reply in his letter — "As for the cookies — well, Nancy and I found much pleasure in cleaning out the tins. Indeed, they satisfied our cravings!" — he liked them.

Do you think any of the secret service agents received any of the Doubletree cookies?

Thanks again for helping initiate an enjoyable correspondence.

**— Julie L. Gumlia**
*senior associate*
The Fontayne Group
Marina del Rey, Calif.

*Nation's Restaurant News welcomes letters on timely topics. All letters may be edited for reasons of space or clarity. NRN cannot consider unsigned letters, but will withhold names on request. Letters should be addressed: Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

C5150-5

**FOCUS**

***Regional chains succeed at home***

Focus section follows page 28

**MANAGEMENT**

***Hyatt execs get in to... with daily operation***

See story page F62

**BEER WINE & SPIRITS**

***...I/DWI ...ight***

Mort Hochstein/Page 121

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NEWSPAPER

SECOND CLASS

# Nation's Restaurant News®

*The Weekly Newspaper of the Food-Service Industry*

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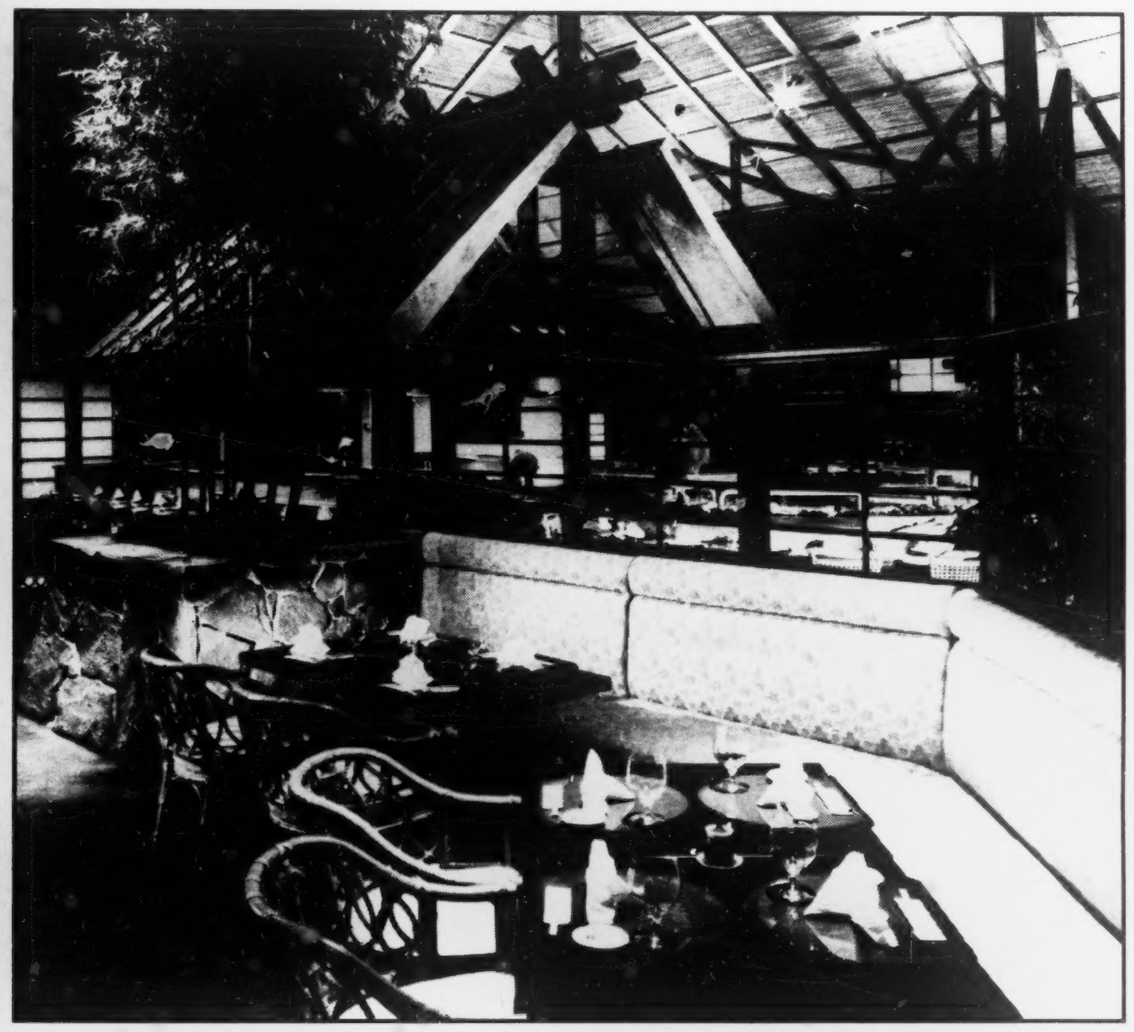

**The interior of Otani — A Garden Restaurant resembles a shogun's palace.**

# The Far East meets the West Coast at Otani

**By Richard Martin**

PALM SPRINGS, Calif. — The New Otani America Corp., a division of the Tokyo-based New Otani Co. hotel group, has launched its first free-standing Japanese restaurant here as a role model for a proposed nationwide fine-dining chain.

Otani — A Garden Restaurant, opposite the Palm Springs Convention Center, seats 200 guests amid lush, indoor gardens dramatized by a waterfall and a brook.

Resembling a shogun's palace that's been set in the desert beside ponds and streams, the 7,000-square-foot restaurant cost nearly $2.3 million to open.

*(See **OTANI**, page 139)*

# KFC franchisees to fund war chest

## *Pepsico contract proposal rejected*

**By Milford Prewitt**

LOUISVILLE, Ky. — Kentucky Fried Chicken's franchisees have pledged to raise $3.6 million for potential legal expenses in case they go to court to fight for modifications in the company's proposed standard franchisee contract.

Four hundred franchisees convening in Louisville unanimously voted by a show of hands to start a war fund moments after voting to oppose the company's version of the new standard franchisee agreement, which will cover 1989 and beyond.

The company and the franchisees are poles apart on several major contract issues ever since negotiations for a new agreement began in February. A meeting planned this week in Louisville will be the first time the two sides have met since Sept. 11.

Licensees said the vote symbolizes the suspicion they share regarding KFC and its parent, Pepsico. Veteran franchisees said they could not recall a time when their relationship with Louisville was as tense or strained as it has been during the current contract discussion.

"We hope this does not reach a crisis level," said Darlene Pfeiffer, an ex-president of the KFC franchisee association and a member of a committee working on the contract. "We want to reach a negotiated settlement that is not dictated to us and reinforces the spirit of cooperation that has been the hallmark of our relationship and made us No. 1 in the segment.

"We're raising the money in case it becomes necessary to fight the contract."

"It's a very sad thing that this is happening," said Gregg Reynolds, a spokesman for KFC. "It's better that this money be spent on stores rather than in court."

Bob Peck, president of the Association of Kentucky Fried Chicken Franchisees, which represents all but 100 of the system's 650 franchisees,

*(See **KFC**, page 139)*

*The company and the franchisees are poles apart on several major contract issues.*

# Trade groups battle bar code resistance

**By Peter Romeo**

WASHINGTON — Several major trade associations are trying to foment a revolution in food-service inventory control by prodding manufacturers and distributors to put scannable, computer-coded labels on restaurant supplies.

Use of the universal product code — the bar code imprinted on virtually all packaged grocery items — would trim restaurants' labor costs, curb employee pilferage and enhance product freshness, according to proponents.

"The biggest advantage would be the ability to accurately check in [distributor-delivered] merchandise without the manual labor usually entailed," said Ron

*(See **BAR CODE**, page 139)*

**FOODWATCH**

## *Catfish sausage*

LACOMBE, La. — Forty-five minutes outside New Orleans in this small bayou town, Chris Kerageorgiou of La Provence is giving traditional French provincial food a twist with a catfish sausage that makes a fluffy low-fat appetizer.

He mixes 4 pounds of cold, fresh, pond-raised catfish with two red and two green bell peppers, an onion and garlic and parsley. But the secret may be in the spicing. He uses a whole jalapeño pepper and a mixture of Moroccan-style spices including peppermint, cumin seed, anise and chilies.

**— Rick Telberg**

# Western Sizzlin unveils new ads

**By Bill Carlino**

DALLAS — Western Sizzlin, with the premiere of its first national TV advertising campaign, is capping a year of whirlwind change aimed at making the 530-unit chain a major player in the budget steak-house segment.

The campaign was previewed by about 250 franchisees who attended Western Sizzlin's annual convention here. The licensees feel that the synergy created by the long-awaited media exposure and the chain's new corporate management can elevate Western Sizzlin to a leader's status among midpriced restaurants.

"I think we've got the best corporate team and more

*(See **WESTERN SIZZLIN**, page 4)*

CHARLES BERNSTEIN ON WHAT'S BEHIND THE CH. 11 SURGE — Page F3

## WHEN SHOULD YOU 'COMP' A MEAL?

Robert E. Farrell, of the Newport Bay Restaurant in Portland, Ore., in a letter to the editor last week raised the question of giving away free meals to satisfy disgruntled customers. He was seeking industry comment for a much-debated topic.

What guidelines do you use in 'comping' meals?

This is your chance to sound off.

Call the Nation's Restaurant News Hot Line, toll-free, 24 hours a day all this week.

A recorded message will ask for your opinion. Please leave your name, company and phone number so that an NRN reporter can confirm your statement for publication.

Watch for a full report in an upcoming issue.

**NRN HOT LINE**
**1 (800) 678-7711**

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Vol. 22, No. 42 Oct. 16, 1989

## NEWS DIGEST

# Restaurants Unltd. agrees to sell stake to Jacobs

SEATTLE — Restaurants Unlimited, operator of 20 full-service restaurants in seven states and owner or franchiser of 120 Cinnabon bakeries nationwide, has agreed to sell a majority interest in the company to E.S. Jacobs & Co., a New York investment firm headed by acquisition specialist Eli S. Jacobs.

Restaurants Unlimited's current management team would be retained and would hold a "significant" share of the company's stock if the agreement is finalized, officials of the privately held Seattle-based concern said. Terms of the deal were not disclosed.

Jacobs, whose many titles include chairman of Memorex Telex Corp. and owner of the Baltimore Orioles professional baseball team, is no stranger to the restaurant industry: He is a co-founder and the largest shareholder of the struggling Le Peep chain.

Restaurants Unlimited's concepts include Cutters Bayhouse, Horatio's and Kincaid's.

# Mass. balks at repeal of mandated benefits

BOSTON — In a setback for Massachusetts' food-service industry, the House has thwarted an effort to repeal the state's mandated-benefits plan, which will require employers of more than six people to provide each with health insurance worth $1,680.

However, enactment of the provision was postponed for a year, to 1993. The delay provides Massachusetts' restaurant industry with additional time to choreograph a repeal attempt.

In July the House had tentatively agreed to overturn the insurance obligation, which opponents said would cost employers more than $400 million per year.

# Former Ryan's chief McCall takes reins of Mr. Gatti's

AUSTIN, Texas — Mark McCall, who guided Ryan's Family Steak Houses' rise to stardom in the mid-1980s, has taken the helm of Mr. Gatti's, the 300-unit pizza chain based here.

McCall has assumed the titles of president and chief executive from Mr. Gatti's owner and chairman, L.D. Brinkman. He had held the posts since Gary Lomax moved to the rival Pantera's chain in mid-1988. McCall reports to Brinkman.

During the Citadel graduate's tenure as president of Ryan's, the chain routinely posted head-turning per-unit sales gains. McCall resigned the job last year when the steak-house system's sales began to cool.

# Primo's delivery business sold to Colorado investors

FAYETTEVILE, Ga. — A newly formed Colorado investment company said it has agreed to buy Primo's Inc., operator of the Primo's Pizza & Sub delivery chain here, for an undisclosed amount.

Nassau Development Corp., based in Englewood, Colo., indicated that it would accelerate the system's franchising program. Currently 28 of the 35 Primo's units are franchised.

# City duo turning brew-pub into Border Grill branch

SANTA MONICA, Calif. — Chefs Susan Feniger and Mary Sue Milliken, co-owners of the popular City and Border Grill restaurants in Los Angeles, have acquired the shuttered City of Angels brew-pub here to convert it to their second Border Grill.

Stripped of its beer-making gear and re-opened by mid-January, the 120-seat regional-Mexican restaurant would place "much more emphasis on a 'cantina' feel" than was possible at the tiny Melrose Avenue prototype, general manager John Papsidera said.

As consultants, Feniger and Milliken devised the defunct brew-pub's first menu in 1987.

# Wendy's rolls new burger as part of 'Value' menu

DUBLIN, Ohio — Wendy's has included a new down-sized sandwich — the junior bacon cheeseburger — on a just-rolled "Super Value" menu of items priced at 99 cents each.

Also included on the promotional bill of fare are extra-large portions — called Biggie orders — of french fries. Biggie drinks are also available.

The value-oriented menu is pitted against Burger King's 99-cent daily specials and a variety of discounted specials from other fast feeders. In some markets, McDonald's has slashed the price of its hamburgers to 49 cents.

# Melman's LEYE unveils new Italian restaurant

CHICAGO — Lettuce Entertain You Enterprises, Richard Melman's stable of such popular local restaurants as Ed Debevic's and Mexican Hat Dance, is opening an Italian restaurant here called Tucci Milan.

The unveiling marks the group's second restaurant opening in six weeks, right on the heels of Bub City, a outhern barbecue and crabshack restaurant with a Texas-themed bar.

LEYE's other Italian restaurants are Avanzare, Scoozi and Tucci Benucch, all in Chicago.

# McD's headquarters staff takes unit jobs for a day

OAK BROOK, Ill. — Employees and affiliates of McDonald's Corp. — including about 2,000 headquarters personnel here, company suppliers and advertising agency executives — celebrated "Founder's Day" by heading to work behind the counters of McDonald's almost 11,000 units worldwide.

McDonald's, the world's largest restaurant company, commemorates the birthday of founder Ray Kroc each year on the first Friday of October.

"The purpose is to get back to the basics of our business, and the basics are working with customers and delivering quality, service, cleanliness and value," said a McDonald's spokeswoman.

# Copeland details cuts, menu changes for Church's

NEW ORLEANS — Al Copeland Enterprises Inc., a new name for a familiar operator, has revealed plans to sell 203 Church's Fried Chicken units to its franchisees and to shutter another 227 outlets in a bid to reduce debt of $449 million.

Remaining Church's units will be revamped to conceal kitchen areas and will adopt a new Southern-styled fried chicken and biscuit, according to documents filed by the company.

At the same time, Copeland's Popeyes chain is looking to secure a firm hold on the high-end portion of the quick-service chicken market by relying more heavily on regional products. The chain is also experimenting with a new diner-like format.

In a government filing, the normally secretive but much watched company — formerly known as A. Copeland Entrprises — outlined plans to raise about $448 million through the sale and mortgaging of units and the issuance of $110 million in bonds. The transactions would pare the 1,470-unit Church's system to 809 stores.

# Bill Marriott recovering from 'mild' heart attack

WASHINGTON — J.W. "Bill" Marriott, Jr., chairman and president of Marriott Corp., is recovering from a heart attack that seized the 57-year-old lodging scion en route to a business meeting.

Marriott officials described the attack as "mild" and predicted a rapid recovery for the executive. "His spirits are good," brother and Marriott vice-chairman Richard Marriott told the Dow Jones News Service.

FINANCIAL NEWS

# Shoney's takes first step in nationwide growth effort

By Rajan Chaudhry

NASHVILLE, Tenn. — Shoney's Inc. has passed the initial milestone in its plan to expand nationally through franchising with its first West Coast development agreement.

The contract calls for 23 Shoney's family-style restaurants to be built in the Sacramento, Calif., area over the next 18 years.

Shoney's, whose operations have thus far been confined to the South and the Midwest, outlined its intentions to turn its focus toward franchising and national growth as part of its recapitalization strategy last year.

Shoney's — whose operations include the Shoney's dinnerhouse, Lee's Famous Recipe Chicken and Captain D's restaurant chains — is also working on agreements in Northeastern United States, primarily Pennsylvania and New York, said Jeff Heston, Shoney's executive director for franchise development.

And the company is negotiating master franchise agreements — which give licensees

Jeff Heston

the right to subfranchise within their area — for Japan, several other Pacific Rim countries and Canada.

Besides Sacramento, Shoney's newest agreement covers Yolo, Placer, Solano, El Dorado and Nevada counties.

The first restaurant is slated to open in spring 1990, Heston said.

Shoney's Sacramento franchisee, Alpha West Inc., is headed by Rudy Ruark, a Nashville venture capitalist. And Creed Branson, a former Pizza Hut operator and area manager, will operate the restaurants.

Many of the new Shoney's units will be located along highways, Heston said.

About six years ago Shoney's began looking to high-traffic sites along interstate highways to support its new restaurants. And whenever possible, the company pairs its roadside restaurants with a Shoney's Inn, usually under separate management.

Shoney's would like to follow the same strategy in the well-traveled Sacramento area, said Heston, although the company is also exploring the option of combining concepts, as Marriott Corp. does with its Travel Plazas.

A Shoney's restaurant next to a hotel averages sales 25 percent higher than the annual volume — about $1.5 million — generated by a lone unit, Heston said.

The average cost of a Shoney's in 1988 included about $300,000 for land, $410,000 for the building and $245,000 for equipment and signage, Heston said.

# Perkins introduces 401K plan in bid to attract non-salaried help

By Milford Prewitt

MEMPHIS — Perkins Family Restaurants has launched a 401K retirement plan for hourly employees in a determined bid to recruit and retain non-salaried workers.

Norman Hill, director of human resources for the 115-unit company, said although 401K plans for hourly workers have been administrative nightmares at some companies, Perkins is moving ahead with the belief that a 401K is an attractive lure for recruiting and retaining the rank and file worker.

He said the pressure to recruit and retain cooks, bus persons, and servers will intensify in the wake of the company's aggressive expansion plans. Like other chains in the segment, Hill said Perkins had been battered by a 150 percent turnover rate among hourly employees.

*401K is an attractive lure for recruiting the rank and file worker.*

"We want to include the hourly employee in the growth of the company and the 401 maybe one of those things that bring people into the company and stay longer," he said. "We feel this is the kind of thing we need to have if we intend to be there in the future."

In the formula at Perkins, the company will match 50 percent of an employee's contribution up to 6 percent of base. Employees can invest as much as 10 percent of their gross pay, but 4 percent will be unmatched, Hill said.

Participants will be 60 percent vested after 3 years, 80 percent after 4 years, and fully vested after 5.

FOOD PRICE OUTLOOK

# *World coffee prices remain low*

The brief run-up in **green coffee** prices has foundered in the strong probability that the International Coffee Organization isn't going to be able to restore quotas soon. Roasters are buying conservatively, and the price of green beans has dropped back into the upper 70-cents-per-pound range on the New York docks. With the danger of frost over in Brazil, it appears there will be a good crop, with a better supply of higher grades than last season's. Other countries are also reporting strong crops. Expect further price drops this year.

**Frozen-cod** production is down, but **halibut, haddock, ocean perch, clams** and **flounder** are up so far this year. **King crab** freezings are also up by about 25 percent over last year's, but **snow crab** production is down by 30 percent. Expect higher cod prices if the falloff in imports continues.

Government commitments of **pork bellies** to Poland didn't turn out as large as many traders had anticipated. So futures prices dropped. But despite the large inventory of bellies in storage at the beginning of summer, domestic cash prices have been running about the same as last year's, and the price of bacon (which is made from pork bellies) remains stable. In fact, the pork belly inventory is being worked off faster than was forecast, and there's even a chance that bacon prices will rise by midwinter.

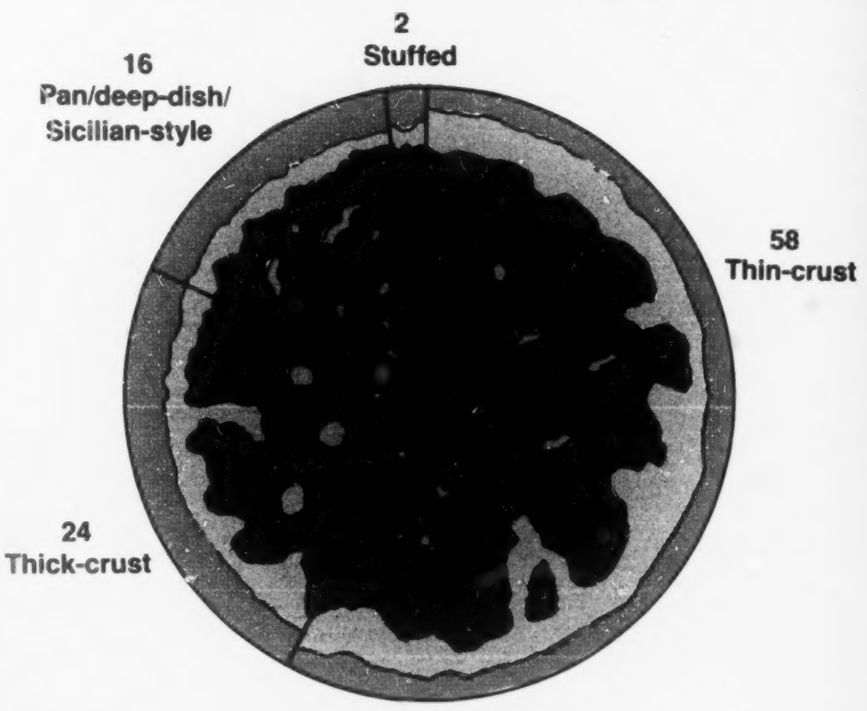
The Midwest **corn** crop may not be so plentiful as expected. A fungus infection, aflatoxin, apparently is back this year, after having hit the drought-ridden crop in 1988. The Food and Drug Administration considers a level of 20 parts per billion of aflatoxin harmful to humans. It has caused cancer in laboratory rats. If this year's outbreak is widespread, removal of affected corn from the market could drive up prices of animal feed and eventually those of beef, pork and poultry.

FACT FILE

*A look at the statistics shaping the industry*

**THIN-CRUST PIZZA TAKES BIGGEST SLICE**

(percent of total pizza orders by type)




Source: NPD Annual Household Report, 1988

NRN FINANCIAL DIGEST

## McDonald's teams with Toys 'R' Us

OAK BROOK, Ill. — McDonald's Co. Ltd. of Japan, which is a joint venture of McDonald's Corp. based here and Japanese trading company Fujita & Co., has signed an agreement with Toys "R" Us to open up to 100 Toys "R" Us retail toy stores in Japan.

The two children's market mammoths plan to open four to six toy stores in 1991.

Under terms of the agreement, McDonald's will own 20 percent of stores with an option to operate restaurants on-site. Rochelle, N.J.-based Toys "R" Us will own the remaining 80 percent.

McDonald's Co. of Japan already operates 675 units.

McDonald's said that it is providing only its site selection experience and that it will not participate in the management of the toy outlets.

## Wendy's to sell land at headquarters

COLUMBUS, Ohio — Wendy's International is looking to raise money by selling 17 acres of its 30-acre headquarters site and leasing 20,000 square feet of unused space in its main building.

The company did not disclose the asking price for the 17-acre parcel, but it did say it would lease the office space for about $12 a square foot.

Wendy's moved into its headquarters here in 1976.

## Ramada restructuring stalled

PHOENIX, Ariz. — Ramada Inc. said recent volatility in the high-yield credit market has postponed the company's restructuring and forced it to consider changing the terms and types of securities to be offered by Aztar Corp., the new company that will operate Ramada's gaming business.

Ramada had planned a $400 million junk bond offering to finance Aztar.

The restructuring is part of an agreement, struck in April, calling for Ramada to sell its 825-property hotel operation for $540 million to Hong Kong real-estate firm New World Development Co. Ltd. and Prime Motor Inns Inc.

## MGM buys site for movie park

BEVERLY HILLS, Calif — MGM Grand Inc. said it has agreed to buy a 700-room hotel and casino and 115 acres on the Las Vegas, Nev., strip for the location of a movie theme park and a 5,000-room MGM Grand Hotel and Casino.

Plans for the project are not complete, but the company estimated the total cost at more than $600 million. It also said the operation will employ 7,000 people year-round.

The hotel is scheduled to open in 1992. However, the theme park will take longer, the company said.

A similar movie park, built at Walt Disney World in Orlando, Fla., has been so successful that competitor Disney plans to double the operation's size.

# FOCUS | OPINION

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# What is behind the Ch. 11 surge?

Editor's Corner
Charles Bernstein

Reorganizations and bankruptcies are proliferating as food-service operators face an increasingly tough environment. Unfortunately, this cycle of a mature industry is likely to continue or even intensify.

Of course, one solution for any besieged operator is to be acquired by a financially strong corporation that can bail it out — at least temporarily. But this is rarely worth the price or the effort.

A number of the Chapter 11 filings, where the operator seeks protection from creditors and does not necessarily go out of business, were disasters waiting to happen. They involved operators that had overextended themselves financially, in too rapid an expansion or in a loss of focus.

As of presstime, the latest Chapter 11 filings were by Dallas-based Pantera's and New York-based Bombay Palace Restaurants. Each situation illustrates the severe challenges facing diversified companies.

Pantera Corp., which had operated some 50 Pantera's Pizza units from St. Louis, moved to Dallas when it acquired the 650-unit Pizza Inn chain in 1987. Pizza Inn had gone through ups and downs under Joseph Spillman for years, and Pantera's took on more than it could handle. It obtained an apparent bargain price of $48 million to buy Pizza Inn, but the task of trying to operate that chain proved formidable.

The seeds of Bombay Palace's downfall were sewn when the chain of Indian dinner houses and Zona Rosa Mexican restaurants reached out to acquire 49 Beefsteak Charlie's restaurants from Larry Ellman's Lifestyle Restaurants. Trying to operate the units proved more overwhelming than had been envisioned, and Bombay eventually had to close 15 Beefsteak Charlie restaurants.

We hope Al Copeland is listening in New Orleans to these signals. Has he bitten off more than he can chew by acquiring Church's on top of his own Popeyes units? He has been known to perform miracles in the past, and perhaps he can do it this time.

In any case he certainly loves the challenge and presumably can afford it.

Just last month the 13-unit Houston hot-dog and chili chain James Coney Island (perhaps an adaptation of Nathan's, which originally started in Coney Island, Brooklyn, N.Y.) took the Chapter 11 route. The owners of the 66-year-old chain blamed the problems on their own poor investments. But certainly the declining Houston economy had something to do with it.

Nor are independent restaurants immune. In fact, they are more vulnerable. In recent weeks at least two New York City standbys, Joe's Pier 52 seafood restaurant on West 52nd Street and the "healthy foods" Beanstalk restaurant at the McGraw-Hill Building, filed for reorganization.

Major factors in the apparent demise of these and other restaurants are the high cost of real estate and the need to generate bigger volumes even while restaurants are saturating these areas and traffic is flat or down.

Actually, the number of Chapter 11 filings and straight bankruptcies are not conclusively indicative of the problem's scope. For each filing, 10 restaurants merely close their doors without bothering to publicly certify that fact. We may not be aware of the situation until a new restaurant sign goes up at the site.

What happens in New York City is by no means typical of the situation in the rest of the country. But these things are occurring in other cities, albeit on a smaller scale.

Among notable Chapter 11s have been Nashville-based Southern Hospitality Corp., a 25-unit Wendy's franchisee that had previously been a franchisee for other chains, and Specialty Retail Concepts, Winston-Salem, N.C., a group of retail-restaurant operations such as Chez Chocolat, Coffee, Tea and Thee, and Tin Can Alley; and Twistee Treat, a 45-unit Ft. Myers, Fla., ice-cream chain.

Also, Rian's Inc., a group of Portland, Ore., restaurants that once prospered under John Rian but encountered tougher competition in recent years; Convenient Food Mart, a Chicago-based convenience-store chain that had increasingly moved into food service under Stanley Bresler but stumbled under new management this year; and J. Bildner & Sons, a Boston area gourmet food shop that sought to jump into the gourmet take-out business.

Overfranchising and loss of controls often lead to these problems. The reality is that operators facing difficulties desperately need a more disciplined management that will concentrate on food, service, operations and marketing and eschew the side temptations.

## LETTERS

### *Operator happy to be part of MUFSO '89*

Editor, NRN:

Just a brief note to thank you for allowing me to participate in the MUFSO operators panel. It is always an honor to be on these panels and serve with such distinguished people as I have in the past. I hope my insights have added something to the conference.

Being responsible for the Perkins' franchise conference for the last four years, I can truly appreciate the energy and dedication that goes into putting together a convention the size of MUFSO.

Again, I sincerely appreciate being part of a successful MUFSO 1989.

**— Patrick A. Morris**
*executive vice president, marketing*
Perkins Family Restaurants
Memphis, Tenn.

### *MUFSO again provides 'rewarding' experience*

Editor, NRN:

I want to tell you that your MUFSO conference was excellent. The other representatives of our company and I found it to be informative and, once again, rewarding.

I congratulate you and your colleagues for putting together the most meaningful conference that our industry offers.

**— Robert P. Flack**
Sonic Industries Inc.
Oklahoma City

### *New Orleans operator enjoys MUFSO visit*

Editor, NRN:

Thank you for bringing MUFSO to New Orleans. It was wonderful to have the industry people visit our city. I think the convention was a great success and very informative for all involved.

I hope to see you again in the near future.

**— Ella Brennan**
Commander's Palace
New Orleans

### *FSCSI looks ahead to 35th anniversary*

Editor, NRN:

How pleased I was that you devoted several column inches in your Sept. 18 issue to our 1989 Fall Seminar and the featured speakers.

We really appreciate such coverage. As more exciting things develop in the next months and years, we'll be telling you about them. For example, we'll be celebrating our 35th anniversary in Chicago next May, and we'll have our first full-blown seminar ever held in New York, next November.

**— C. Russell Nickel**
*executive vice president*
Foodservice Consultants Society International
Seattle

### *Subway offers customers box-recycling incentives*

Editor, NRN:

I finished reading your article on the garbage crisis. You might like to know that we're having our manufacturers pack Subway products in boxes with special labeling so we can use them for large carryout orders.

By giving our customers a discount on their next purchase we then encourage them to recycle the boxes.

**— Frederick A. DeLuca**
*president*
Subway Sandwiches and Salads
Milford, Conn.

*Nation's Restaurant News welcomes letters on timely topics. All letters may be edited for reasons of space or clarity. NRN cannot consider unsigned letters, but will withhold names on request. Letters should be addressed: Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.*

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**FOOD**

***Culinary trends merge tastes***

Florence Fabricant/Page 8

**FOCUS**

***The competitive edge in hot beverages***

Focus section follows page 36

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Patt Patterson/Page F4

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Nation's
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*The Weekly Newspaper of the Food-Service Industry*

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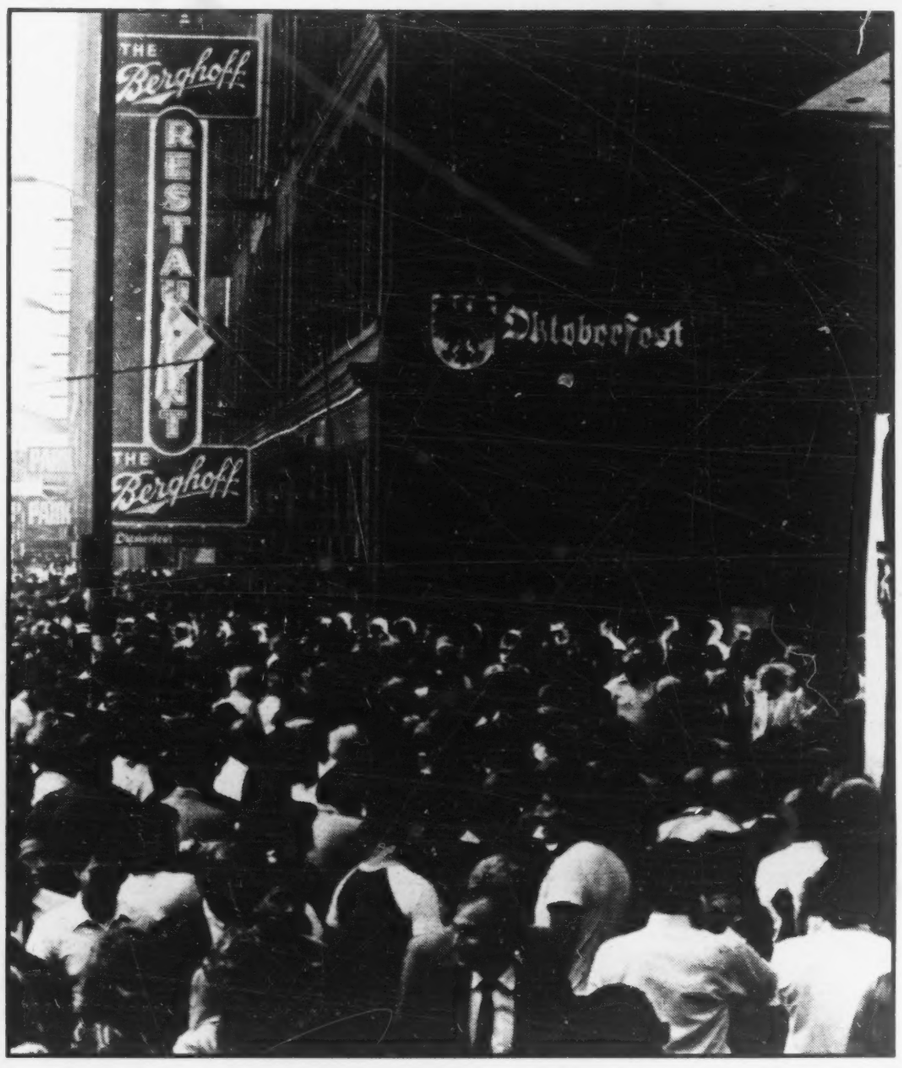


**Crowds jam the closed-off street in front of The Berghoff Restaurant's Oktoberfest in Chicago.**

# Ecological pressures to shake up kitchens

## *Equipment worries emerge at NAFEM*

**By Rick Van Warner**

DALLAS — Food-service kitchens, already being reshaped by a shrinking labor pool and rapidly changing employee demographics, will be rattled in the 1990s by yet another revolutionary force: strains on the environment.

The biennial National Association of Food Equipment Manufacturers show here flashed early warnings of the environmental land mines that lie ahead.

Operators, consultants, manufacturers and dealers alike expressed worries about mounting environment-related regulations and the eventual effect on their respective businesses.

Although labor-efficient, multiuse and space-efficient equipment still topped most shopping lists at the show, it was clear that a new equipment concern lies in wait. Attendees grumbled about problems ranging from emission control standards in California to landfill problems in New Jersey.

But the gap between con-

*(See **ECOLOGICAL**, page 87)*

**NAFEM in Dallas '89**
**Full coverage on pages F14, F16, F16D**

# McDiscounting fuels price-slashing wars

**By Rajan Chaudhry**

OAK BROOK, Ill. — McDonald's Corp. is embarking on a three-pronged price strategy designed to turn up the heat on competitors and stem five quarters of slipping customer counts.

At the very least, the quick-service segment is entering a new round of competitive price cuts, said analysts and industry executives. "It's going to get bloodier over the next several months," asserted analyst Joseph Doyle of Smith Barney, New York.

McCHICKEN SANDWICH and LARGE FRIES
$2.39 (plus tax)
Present this coupon at McDonald's.* It entitles you to a Country Style McChicken Sandwich and a large order of French Fries for only $2.39 plus tax. Prices may vary.
Offer Valid October 7 thru October 19, 1989
Good only at participating McDONALD'S* in Duluth, Superior, Cloquet, Grand Rapids, Hibbing, Ironwood, Virginia and Ashland.
Not good in conjunction with any other offer. Limit one coupon redeemable per food item per customer per visit. A.P.
7
Void where prohibited. Cash value 1/20 of 1¢ 1988 McDonald's Corporation

And many predicted that the 11,000-unit giant's new strategy will severely damage some restaurant operations.

"It's definitely going to be hard on the smaller chains and the less-well-heeled larger chains," said analyst Richard Pyle of Piper Jaffray Hopwood, Minneapolis.

In its toughest markets, McDonald's is countering competitors' discounts with a coupon barrage of its own.

The plan for wider use of coupons, disclosed by McDonald's management at a recent

*(See **McD**, page 4)*

# Chicago restaurateurs launch fall promotions

**By Carolyn Walkup**

CHICAGO — Many Chicago restaurant operators are tying seasonal promotions to everything from Oktoberfests and football games to an ancient Indian ritual to try to woo customers away from their TV sets and fall color drives.

The Berghoff Restaurant held its annual outdoor Oktoberfest in September to take advantage of mild weather. Crowds filled the street in front of the restaurant, which was closed to traffic and trans-

*(See **PROMOS**, page 87)*

# Arby's licensees enlist Roberts to lead take-over battle charge

**By Jack Hayes**

ATLANTA — A large group of militant Arby's franchisees, scrapping to wrest control of the chain from financier Victor Posner, installed exiled Arby's president Leonard Roberts as their general in an emotion-packed, secret hotel meeting here.

Some four dozen Arby's franchisees — representing more than half of the 2,100-unit system's licensed units — debated strategies for operating while take-over fights continued with Posner's Miami-based DWG Corp.

**Roberts**

The group, which has armed itself with a $1 million war chest, also discussed plans for attending the upcoming company-sponsored annual franchisee convention in Phoenix, Ariz.

While the meeting was going on, Posner reportedly placed calls to staffers in Arby's headquarters in Atlanta, ordering them to attempt to break up the gathering under threat of being fired.

"You think it was hot around here today? Just wait till we get to Phoenix," said a franchisee as he headed for the air-

*(See **ARBY'S**, page 4)*

**FOOD WATCH**

## *For lobster lovers only*

Mindful that lobster holds a firm grip on many seafood lovers, chefs at Southern California restaurants are featuring the succulent crustacean in a variety of innovative dishes and menu promotions.

At Rockenwagner in Venice, chef Hans Rockenwagner recently offered a supplemental menu devoted exclusively to lobster dishes. Two favorites are still being served — a lobster lasagna "checkerboard" and an eggplant-lobster claw soufflé with a sweet and sour beurre blanc containing balsamic vinaigrette and shallots.

At John Dominis restaurant in Newport Beach, chef Robert Reash Jr. expects to serve 2,000 pounds of live Pacific

*(See **FOOD WATCH**, page 4)*

CHARLES BERNSTEIN: CUSTOMERS NEGLECTED IN RUSH FOR PROFITS—Pg. F3

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Vol. 23, No. 43 Oct. 23, 1989

## NEWS DIGEST

### 7-Eleven's lobbyist takes helm at FLI

WASHINGTON — Pamela Sederholm, a longtime lobbyist for 7-Eleven, has succeeded William Giery as executive director of the Foodservice and Lodging Institute, a trade association here for restaurant and hotel chains.

Giery has moved to the U.S. Chamber of Commerce, according to an FLI board member.

Previously, Sederholm oversaw the government affairs office here of Southland Corp., the Dallas-based operator of the 7-Eleven convenience-store chain.

### Godfather's rolls spicy-meatball pie

OMAHA, Neb. — Godfather's Pizza has rolled out a new pizza made with golfball-sized, spicy meatballs that take their inspiration from New York.

"Anyone who's been to New York City will recognize this rather unorthodox-looking product," said Herman Cain, Godfather's president and co-owner.

### Morris' I.H.V. pens deal for Grand American sites

LOS ANGELES — Robert J. Morris, founder of the Gladstone's 4 Fish restaurant here and the new chairman of I.H.V. Corp., has struck a deal for I.H.V. to acquire two waterfront restaurant locations from Santa Monica-based Grand American Fare.

Morris' company, based here, has a separate deal pending with Restaurant Enterprises Group to buy back its landmark Gladstone's and RJ's The Rib Joint units here plus another restaurant site, for $14.5 million.

I.H.V. would get Grand American's Fiasco restaurant, in Marina del Rey, and another unidentified site under construction, in exchange for seven-year, 14-percent-interest bonds, initially worth $1.75 million and convertible to I.H.V. stock at $1 a share.

Grand American, which owns Saddle Peak Lodge and 32 other restaurants, would own about 8 percent of I.H.V.

### Restaurants Unlimited eyes pasta, pizza, salad concept

SEATTLE — Restaurants Unlimited, the dinner-house operator here, said it has begun development of a new concept that would feature moderately priced pasta, pizza and salads.

The regional player has also begun work on the prototype Zoopa, a new type of restaurant featuring a soup-and-salad bar.

E.S. Jacobs, the New York financier, has agreed to buy a majority stake in Restaurants Unlimited. The infusion of cash will facilitate the start-up of new concepts, according to executives.

### National Pizza signs agreement to buy Skipper's

**By Milford Prewitt**

PITTSBURG, Kan. — National Pizza Co., Pizza Hut's largest franchisee, has signed a definitive agreement to acquire Skipper's Inc., the Bellevue, Wash.-based quick-service seafood chain that National has been pursuing for almost a year.

National agreed to pay $31.2 million — at $11.50 per share — for the company, provided that two-thirds of Skipper's shares were tendered by Oct. 20.

National said its dispute with Pizza Hut regarding the Skipper's purchase has been settled. Pizza Hut had opposed its franchisee's efforts to diversify and said earlier this year that the acquisition could have jeopardized National's license.

As a result of the agreement, National will be permitted to acquire Skipper's despite conditions in its franchisee agreement that forbid the operation of restaurants other than Pizza Hut.

Skipper's operates or holds the franchise rights to about 360 units. National operates 340 pizzerias and delivery kitchens.

### Victor's Cafe 52 owners plan to open Miami clone

MIAMI — The owners of Victor's Cafe 52 in Manhattan are converting the shuttered Studio restaurant here into a second Victor's Cuban cuisine restaurant.

Slated to open in February, the Miami Victor's would accommodate 400 and would feature three dining areas, a cocktail lounge and eventually a second floor for banquets, said a spokeswoman. Victor's owners, Victor del Corral and daughter Sonia Zaldivar, bought the Studio site earlier this year.

Victor's Cafe 52 is known for such Cuban specialties as roast suckling pig, shredded beef and black beans and seafood.

### TCBY enters low-cal fray with new sugar-free yogurt

LITTLE ROCK, Ark. — TCBY Enterprises Inc. said it would launch a systemwide introduction of a sugar-free frozen yogurt product in November.

TCBY is the nation's largest franchisor of frozen-yogurt outlets, with about 1,200 stores.

A quest is under way in the frozen-snack market to develop products forgoing the calories, cholesterol and fat of traditional frosty treats, such as ice cream. Earlier this year, Häagen Dazs introduced a low-fat dessert called Low, Lit'n Luscious.

### *Takeover stocks drop, spur market plunge*

**By Rajan Chaudhry**

NEW YORK — Turmoil in the junk bond market sent skittish investors fleeing from takeover stocks, rocking hotel issues and sparking the worst stock market plunge here since Black Monday in October 1987.

Prices of lodging stocks, which had been skyrocketing this year as the assets of real-estate-rich chains and favorable exchange rates combined time and again to draw huge bids from foreign concerns, fell sharply as investors lost confidence in deal stocks.

Days before the crash, upheaval in the junk bond market had stalled Ramada's sale of its hotel operations, sending tremors throughout the investment community. Then, on Friday the 13th, after an investment group said it was unable to secure financing for the buyout of UAL Corp., parent company of United Airlines, the market for takeover stocks crumbled, triggering a wave of selling.

Hilton, which is on the sale block, plunged $21.50, to $85 a share; Holiday, which has an agreement to sell its hotel operations to London-based Bass PLC, fell $7.75, to $71.50; Ramada, which plans to sell its hotels to New World Development Corp. in Hong Kong and Prime Motor Inns, dropped $1.75 to close at $9.50; and Marriott slipped $1.62, to $36.

Restaurant stocks, including some of the year's strongest performers, also took their lumps.

Pepsico, for example, fell $5.62, to $54 a share; TCBY sank $2.75, to $24.38; Dunkin' Donuts slid $2.62, to $44 and Shoney's dropped $1.50, to $10.12.

Other losers included Wendy's, which dipped $.50, to $5.12; Collins Foods, which fell $1, to $20.50; Chili's, which lost $.88 to close at $28.75; and Sbarro, which sank $.75, to $19.50.

The Dow Jones Industrial Average fell 190.58, to 2569.26, the second-largest one-day drop ever and the 12th worst on a percentage basis.

FINANCIAL NEWS

# Judge allows Pantera's to continue operations

By Milford Prewitt

DALLAS — A federal bankruptcy judge has given Pantera's Corp., operators of the Pizza Inn chain, the green light to continue operating its restaurants, relying on incoming revenues to proceed with its reorganization plans.

In one of its first hearings since filing for creditor protection under Chapter 11 earlier this month, Pantera's was given the leeway to use revenues from continuing operations rather than disposing of assets to reorganize.

Nevertheless, the company disclosed that it is trying to sell 40 of its 180 Pizza Inn units.

Pantera's returned to court when its lenders slapped cash collateral liens on the company, a move it said could have stymied its efforts to reorganize had the judge not approved its request to use proceeds from its operations.

In Pantera's Chapter 11 filing, the Pizza Inn division listed assets of $76.7 million and liabilities of $81.7 million. More than one-third of its debts, $35.5 million, is bank loans it incurred when it bought Pizza Inn in 1987 for $48 million.

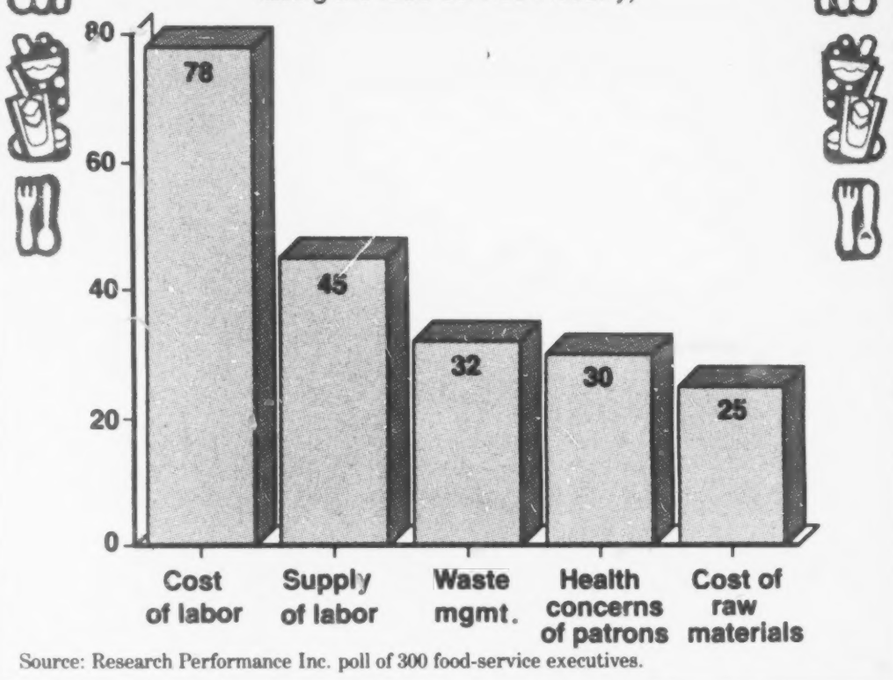
Meanwhile, the company is revamping its marketing efforts as a result of the poor performance of its Italian buffet, introduced in April.

## FACT FILE

*A look at the statistics shaping the industry*

**LABOR, WASTE MANAGEMENT HEAD OPERATORS' LIST OF CONCERNS**

(percentage naming the following as major issues facing the food-service industry)




Source: Research Performance Inc. poll of 300 food-service executives.

# Budget hotel per-room profits fall for 3rd straight year in '88

By Rajan Chaudhry

PHILADELPHIA — Per-room profits for the budget-lodging segment fell in 1988 for the third straight year, but the segment remained the hotel industry's most profitable, according to a newly released report by accounting firm Laventhol & Horwath.

Last year's $248 median per-room profit for budget-lodging operations was off by 45 percent over 1987 and down 84 percent over 1986. Nevertheless, the $248 profit compared with a per-room loss of $429 for the industry as a whole, noted Laventhol & Horwath in its report, "U.S. Economy/Limited Service Lodging Industry 1989."

The median occupancy rate at budget hotels declined year-over-year to 64.4 percent from 65.3 percent in 1988, while room rates rose about 4 percent, to $31.91.

And development outstripped demand, with demand growing by 3.8 percent and the supply of rooms growing 4.7 percent.

Budget operations account for more than 12 percent of all properties in the lodging industry.

According to the report, the 50 largest economy hotel chains added almost 23,400 new rooms last year, and of those, almost three-quarters were built by the 10 largest chains.

One operation, Silver Spring, Md.-based Comfort Inns, far outpaced its competitors last year. The chain grew by 32 percent — or 10,900 rooms — accounting for almost half the total for the segment.

The trend appears to be continuing, according to Laventhol & Horwath. It projected that four chains — Marriott Corp.'s Fairfield Inns, Hampton Inns, Comfort Inns and Super 8 Motels — would account for 44 percent of the 52,900 newly constructed rooms forecast for this year.

Counting conversions, the budget-lodging segment is expected to grow by 17.5 percent, to 91,300 rooms, by year's end.

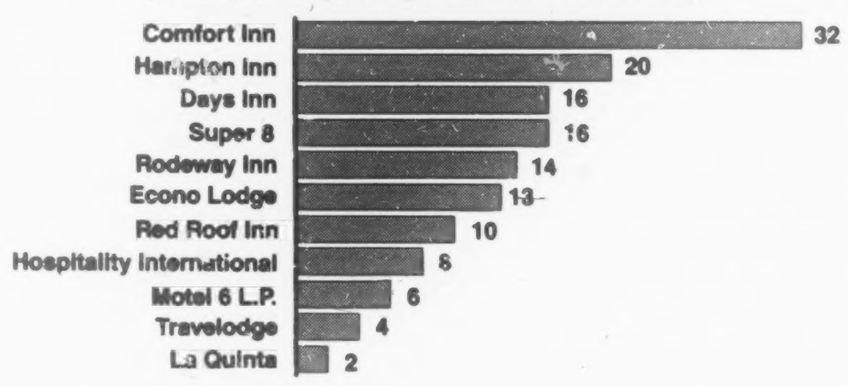
Travelodge, with 13,200 new rooms, and Days Inn, with 12,600, are leading the other chains this year.

"There is very little room left for independents in this business," said Dan Daniele, a senior principal of Laventhol & Horwath, in the report.

"These days getting good sites and financing really requires the muscle of a major chain."

**COMFORT INNS GREW AT FASTEST RATE IN 1988**

(annual percentage change in number of rooms, 1988)




Source: Laventhol & Horwath

## NRN FINANCIAL DIGEST

### Ramada deal hits a snag

PHOENIX, Ariz. — Upheaval in the junk bond market has forced Ramada Inc. to scrap a $400 million offering of high-yield debt securities and delayed the sale of its hotel operations while it revises its restructuring plan, the company said.

Ramada agreed in April to sell its hotel business to New World Development Co. of Hong Kong and Prime Motor Inns Inc. of Fairfield, N.J., for $540 million.

Arranging financing for Aztar — the gaming company that was to remain after the sale of the hotels — is a condition of the agreement.

Ramada said that a new plan would require approval by shareholders and gaming regulators in Nevada and New Jersey and that it can offer no assurance that it will complete the restructuring.

The company has also asked for an extension of the original Nov. 30 termination date for the agreement.

### Mister Donut on the block

MINNEAPOLIS — International Multifoods Corp. said it has begun discussions with more than three parties for the possible sale of its Mister Donut chain.

The company said it expects to decide whether it will pursue a sale by year's end. It would not name the interested parties.

Mister Donut, with 486 franchised stores in the United States and 87 in Canada, posted sales of $156 million in fiscal '89.

### Max & Erma's sells 520,000 shares

COLUMBUS, Ohio — Max & Erma's Restaurants Inc. said it completed the sale of 520,000 common shares for about $2.9 million.

The stock was sold to holders of common stock purchase warrants, which expired earlier this month, the company said.

Max & Erma's said most of the proceeds from the sale would be used to fund growth beyond 1990.

The sale brings the company's number of common shares outstanding to more than 3 million.

### H & H completes private placement

NEW YORK — The Horn & Hardart Co. said it completed a $50 million private placement of two-year increasing-rate senior secured notes due Oct. 6, 1991.

The company, which operates 153 restaurants and a mail-order catalog unit, said 40 percent of the proceeds would go toward repurchasing the fee interests in five parcels of real estate here that were financed in sale-leaseback transactions in the '70s.

Horn & Hardart said that it intends to sell the properties in the near future and that it is required to use the proceeds from the sale to to repay the financing. The balance of the proceeds will be used to refinance about $20 million of short-term debt and to obtain working capital.

## FOOD PRICE OUTLOOK

# *Egg prices may climb again*

**Egg** prices, running about 20 percent higher this year than last, will probably ratchet up again. The U.S. Department of Agriculture has doubled to five cents per case the advertising and promotion assessment under its egg marketing order . . Canadians are protesting the finding that its **pork** imports here are unfairly competing with U.S. producers. The recently signed free trade agreement doesn't prohibit countervailing duties based on GATT rules.

Imported **canned ham** prices continue to rise. Inventories are down, and incoming product carries higher price tags despite recent dollar strength . . . **Shrimp** imports continue to increase, but there are shortages of the large sizes, both imported and domestic. Expect prices of medium and smaller sizes to drop, prices of larger shrimp (12s and under) to remain stable or increase.

**Cheese** prices are up 10 percent over last year's and may go higher. Cheese production is down, and there are no big U.S. government inventories overhanging the market . . . **Butter** prices, on the other hand, are down from last year's. Even though butter production tapered off recently, inventories are up about 50 percent above last year's.

**Banana** supplies have improved, and prices have dropped since the effects of the Costa Rica strike are fading. Prices and supplies should remain normal through winter . . . **Lettuce** production is shifting from the central California Coast to the desert. The outlook is good if the whiteflies don't become a problem.

Expect **frozen cauliflower** prices to continue to move up. Imports are down, and California's pack is below last year's, with producers paying higher field prices . . . **Frozen broccoli** prices are remaining stable on strong demand, although imports are up more than 35 percent over last year's, and the California pack is expected to be a good one.

**— Patt Patterson**

# FOCUS | OPINION

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# Customers neglected in rush for profits

"Customer first, employee second, community third, profit last."

It sounds like sacrilege, but this philosophy is really the route to success in the food-service business. Many corporations, chains and independents assume that profit comes first, conveniently overlooking the fact that it essentially is a result of doing well with the customer.

The above-quoted philosophy, expounded by Stephen Nygren and Richard Dailey, partners in the 15-unit Atlanta-based Peasant Restaurants group, is a basic premise often forgotten by profit-minded companies.

"It isn't practical to expect that there will never be a dissatisfied customer, that no meal will be less than perfect, that service will never fall below par," the partners emphasize. "But we do expect excellence 100 percent of the time, and because we do, we come pretty close to meeting that standard."

Peasant Restaurants, now partially owned by the Quantum Restaurant Group, is a private company that does not have to worry about stockholders. Many of the public firms involved with restaurants think, or are compelled to think, that the main purpose of the business is to please stockholders. They lose sight of the basics and often end up pleasing nobody.

A high return on shareholder equity is presumably spurred by a high level of customer satisfaction. But a classic confrontation has occurred at PepsiCo, where some of the franchisees maintain that the corporation is interested only in the stockholders, not in the franchisees, employees or customers.

Franchisees assert that when they want more KFC sites in their territory, PepsiCo often gives the best ones to Pizza Hut or perhaps to Taco Bell. PepsiCo is looking at the overall picture and may feel that one of them could yield a higher return on a particular site and not overlap with KFC. But the action tends to favor the stockholders, not the franchisees or customers.

The way Greyhound Corp. chairman John Teets sees it, shareholders will achieve the highest equity when the company is pleasing customers to the maximum degree. "There is pain in business," he says. "You have to be tough on yourself and insist on accountability. You have to push yourself to achieve more."

Accountability is everything to T. Boone Pickens, chairman of the United Shareholders Association and general partner of Mesa Petroleum. He portrays American corporations of eight years ago as bloated and bureaucratic but sees the situation improving as managers take a direct stake in stock ownership and thereby become accountable. But there are still many executives spending more time and money "protecting management rights than shareholder rights" or the rights of customers or employees.

A restaurant or any other food-service operation should not be run by starting with a budget and a strict bottom-line projection and forcing everything else to comply with that framework. Instead, it must be operated based on what is needed to pull in more customers and thereby boost sales and profits.

It justifiably drives Michael Hurst of the 15th Street Fisheries restaurant, Fort Lauderdale, crazy to hear constant talk in the industry about the bottom line or the stockholders. "This business is about customers, not profits," he declared in a New Orleans talk this month to the nation's leading fine-dining owners. "You make decisions entirely for the benefit of customers."

What most horrifies Hurst is employees running around a restaurant, wanting to know "What was the profit tonight?" He is delighted after a long evening when the employees light up and say, "Did we score tonight, boss?" In effect, was the customer count larger? Were the seats full all or most of the evening?

Hurst sets a target to increase customer counts by 25 percent each year. He doesn't make it, but the employees work hard enough and friendly enough to approach that goal.

"We constantly put employees out there who don't know what hospitality is," he says of the industry. "We need nice people who care. Excellence of service is what it takes."

Hurst conducts all key personnel interviews himself to ensure that he gets employees who are tuned in verbally and in body language. "I want enthusiasm and excitement," he declares. "I want people with a flair for the dramatic, who will turn on customers by their excitement about everything that happens here."

He places profits last on the pyramid, but because he and his employees cater to the customers so profoundly, his estimated annual volume is near $7.5 million and profits are substantial. He achieves more repeat business than anyone else, and each satisfied patron brings in a mushrooming flow of more and more.

Why are there fewer customers per restaurant today? This relates not just to a saturation of units but to customers being less satisfied with service that is less than wonderful. Customers are looking for a value-added experience, a pleasant smile, something extra. Instead, they are usually disappointed with mediocre and even unpleasant hospitality.

Let's switch the old saying of "location, location, location" to "customer satisfaction, customer satisfaction, customer satisfaction." And let's do everything possible to give the customer dedicated service and extra effort with a smile. Only then will the seats be fuller and the sales and profits higher.

## CORRECTION

Owing to typographical errors, two references were inadvertently made to "Riese" in Charles Bernstein's Oct. 9 Editor's Corner column, "The Extensions Trap: One niche prevails."

All the remarks and assertions mentioned were by Al Riese, author and positioning expert. No members of the Riese Organization or related family members were involved in the material that the editorial quoted.

## *LETTERS*

### *Remembering Vesley: capturing his spirit*

Editor, NRN:

I don't always agree with you, but your Sept. 11 obituary article on "Ves" (Charles Vesley) was right on. He and I were friends for 20 years, and you captured him perfectly!

**— David A. Stein**
*president*
Southern Industrial Corp.
(a Burger King franchisee)
Jacksonville, Fla.

### *The great ad ripoff: A great form of flattery*

Editor, NRN:

I was very disappointed to find Nation's Restaurant News would inadvertently publish information without first checking sources for authenticity.

I'm referring to the "Ad Watch" column in your Sept. 11 issue. The ad for Tony and Joe's Seafood Place is clearly a "rip-off" of our ad for The Manhattan Ocean Club, which has been running in The New York Times since February 1989, predating the Tony and Joe's ad.

There has been a spate of copycat ads from seafood restaurants mimicking our "We Are Fish" ad.

I think credit should be given where credit is due. The Manhattan Ocean Club and its ad agency, Angotti Thomas Hedge, are the originators of the idea for the ad and should be recognized as such.

**— Carol Shalaew**
*public relations director*
The Manhattan Ocean Club
New York City

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*Make sure all letters are addressed to Letters Department, Nation's Restaurant News.*

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**FOCUS**

***Appetizers: Not just for starters anymore***

Focus section follows page 28

**PROMOTIONS**

***Halloween promos scare up business***

See story on page 7

**BEER, WINE & SPIRITS**

***t stop sales***

Mort Hochstein/Page 26

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# Operators aid quake victims

## *Hotels, independents offer food, shelter in aftermath*

**By Alan Liddle**

SAN FRANCISCO — Faced with widespread devastation and sometimes deep personal losses, the many food-service operators here rallied to rescue and relief efforts after the killer earthquake.

The trembler, which measured 6.9 on the Richter scale, was centered about 65 miles south of San Francisco near Santa Cruz and caused hundreds of deaths and billions of dollars in damage, according to early reports. The fatalities included at least two food-service employees.

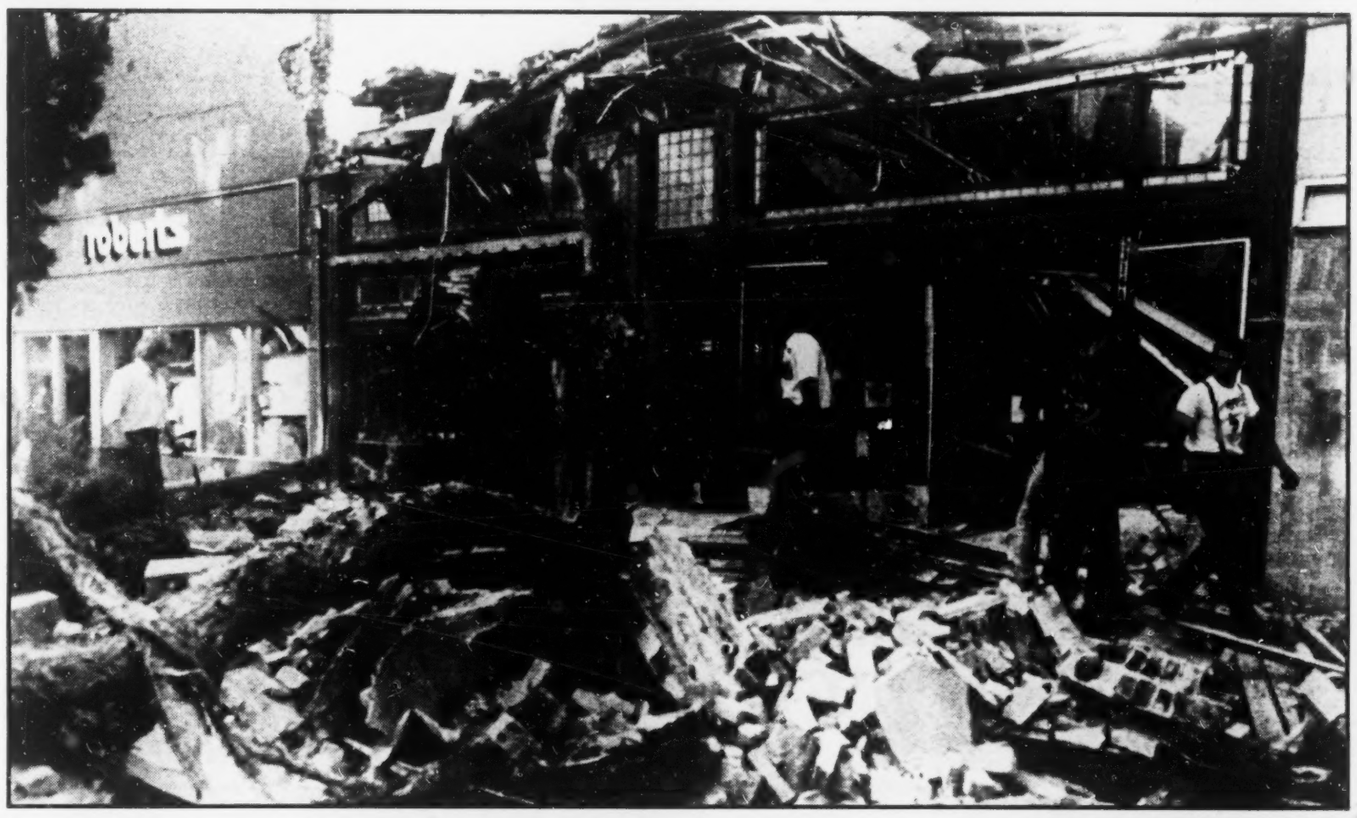
Hospitality workers and officials were among the first to come to the aid of the community after the quake, which hit hardest in a seven-county area bounded by San Francisco and Oakland to the north and Carmel to the south.

Hotels, including the downtown Hilton and Hyatt Regency Embarcadero in San Francisco, operated as shelters for people who were stranded in the city by the closure of roads, public transit lines and the airport.

Independents, such as Parm Sing and his partners in Brothers Pizza, a small San Francisco Sunset District pizzeria, offered free food to people who were down and out the day after the disaster.

Operators, including San Francisco-based Spectrum Foods, gave non-profit agencies food that otherwise would have spoiled because power outages rendered restaurant refrigerators inoperable.

Darius Brewer, a 26-year-old Oakland area cook, was among the volunteers who helped pull survivors from the mangled wreckage of the collapsed double-decker Nimitz Freeway minutes after the earthquake, the Los Angeles Times reported.



AP/Wide World Photos

**Residents of Santa Cruz, Calif., walk though the rubble of collapsed buildings in the town's business center following the earthquake that took place recently.**

Lyon's Restaurants Inc. of Foster City provided free food for firefighters at its Los Altos unit and agreed to collect patron and employee contributions to the Red Cross.

Giant brewer Anheuser-Busch packaged thousands of gallons of drinking water in beer cans for transport and distribution to districts where the quake knocked out power to well pumps or broke water mains.

*(See **QUAKE**, page 4)*

# Licensees rally around Roberts in Arby's fight

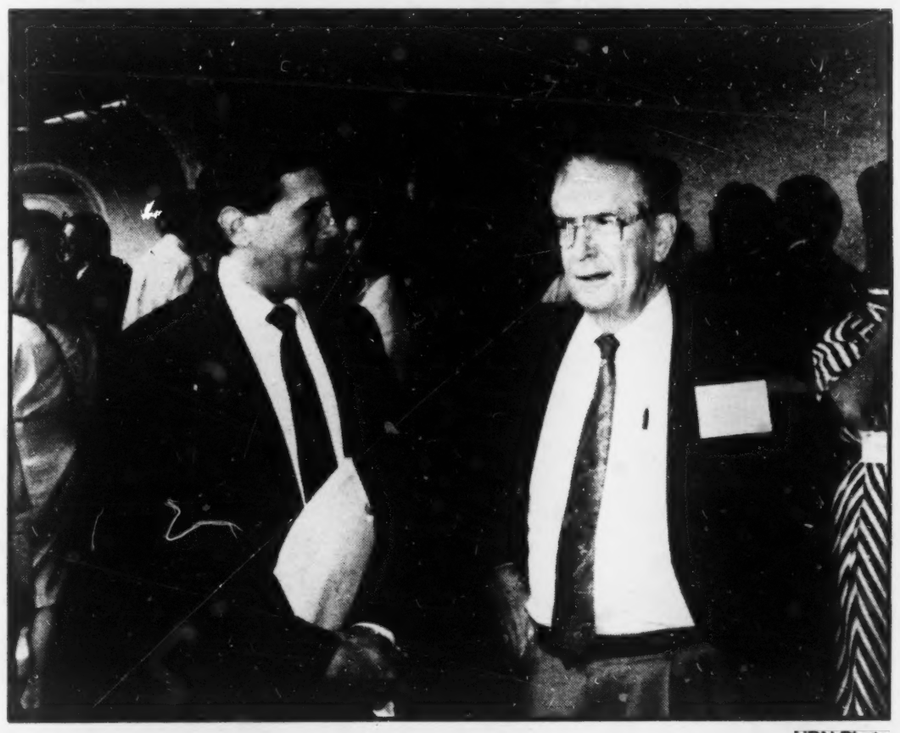
**By Richard Martin**

PHOENIX, Ariz. — While Victor Posner's top lieutenants sulked outside in the desert heat, "President-in-Exile" Leonard Roberts defiantly recruited an apparent majority of convening Arby's franchisees to fight Posner's continued control of the roast-beef-sandwich chain.

Fired as Arby's president by the controversial Miami financier two months ago for endorsing a franchisee-led buyout bid, Roberts received cheers and thunderous applause during his surprise speech here during the annual Arby's franchisee convention.

Posner "really does not care if Arby's goes down the tubes," charged Roberts, whose call for a change in ownership drew repeated standing ovations from the massed franchisees. Roberts told the group that before he was fired, Posner had stated his intention to "squash the franchisees like ants."

To the consternation of Posner's excluded representatives, Roberts was invited to address a closed-door forum of franchisees in his role as president of the newly formed A.P. Association Inc. — initially comprising 42 angry operators who own more than half of the chain's 1,900 franchised restaurants.



NRN Photo

**Len Roberts, left, chats with George Nadler, an Arby's franchisee and member of R.B. partners.**

Shut out of the closed meeting, Posner's legal counsel and top adviser, Roy Thornton, expressed "indignation" that Roberts had turned an Arby's convention into a Posner-bashing recruitment rally for the A.P. Association. "His

*(See **ARBY'S**, page 93)*

# McD rolls McRib sandwich

**By Rajan Chaudhry**

OAK BROOK, Ill. — McDonald's Corp. has rolled out its McRib sandwich nationwide and expects to sell 80 million of the pork sandwiches during a four- to six-week promotion.

The systemwide introduction of the sandwich comes at a time when the company's real same-store sales have been on the decline for a year and a half, reportedly sliding as much as 3 percent in the latest quarter alone.

Over the past six quarters, McDonald's competitors in the fast-food segment have nibbled away steadily at the company's market share with heavy discounts, forcing the

*(See **McRIB**, page 93)*

CHARLES BERNSTEIN ON THE FOUR SEASONS: A TRUE LANDMARK — Page F3

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Oct. 30, 1989

## NEWS DIGEST

# FDA seizes mushrooms packaged in China

WASHINGTON — The Food and Drug Administration is seizing all shipments of packaged mushrooms from China following several incidents of severe food poisoning in the United States.

The FDA said in a prepared statement that the seizures would continue until the People's Republic of China determines why its exported mushrooms are being contaminated and takes steps to rectify the situation.

The agency explained that the mushrooms were "mishandled and subjected to unsanitary conditions" within Chinese processing plants, fostering growth of a bacteria that caused "severe" illnesses in cafeteria and restaurant patrons.

The agency said it is detaining all mushrooms shipped from China in any type and size of container. Mushrooms in No.-10-sized cans had been seized since May 19.

The FDA broadened the embargo following incidents of food poisoning at restaurants and cafeterias in Mississippi, New York and Pennsylvania.

# Friendly's Cauley retiring; Smith to assume the helm

WILBRAHAM, Mass. — John F. Cauley, president of Friendly Ice Cream Corp., said he would retire this week, ending 32 years of service to the 850-unit family-dining chain.

Don N. Smith, chairman of the board of Tennessee Restaurant Corp., which bought Friendly's last year and which operates Perkin's Family Restaurants, said he would assume the presidency of Friendly.

Cauley joined Friendly's in 1957 as a manager trainee. He was promoted to restaurant manager in 1959, district manager in 1961, assistant director of store operations in 1963 and director of store operations in 1966. He was appointed vice president of store operations and a member of the board of directors in 1970, group vice president in 1975 and executive vice president in 1979.

Cauley was named to the president's post in 1981.

# Group buys Rally's stake, says it may reshuffle board

LOUISVILLE, Ky. — An investment group said it has amassed 45.2 percent of outstanding shares of Rally's Inc., operator of the Rally's drive-thru chain, and indicated that it may seek control of the company's board.

Three of the group's principals — William E. Trotter II, James M. Trotter III and advertising-industry veteran Burt Sugarman — are already directors. Also included are West Coast investors Michael Tennenbaum and Patricia Glaser.

Rally's said it scheduled a meeting of its nine-member board to review the developments. The company sold itself to the public on Oct. 12 for $15 per common issue. The shares have since traded for around $23 each.

Rally's operates and holds the franchise rights to double-drive-thrus in 23 states.

# McDonald's net income rises 14%, to $217.9M

OAK BROOK, Ill. — McDonald's Corp., the world's largest restaurant company, said net income advanced 14 percent, to $217.9 million, on a 12-percent increase in revenues, to $1.63 billion, for its third quarter ended Sept. 30.

McDonald's posted a 9-percent increase in systemwide sales, to $4.6 billion, in the latest quarter, from $4.2 billion in the year-ago quarter.

The company said lower food costs more than offset higher occupancy costs at company-operated restaurants, widening margins to 19.3 percent of sales from 18.4 percent a year ago.

# USA Cafes' partners file suit to overthrow sale

DALLAS — Shareholders of USA Cafes have filed a class-action suit challenging the limited partnership's sale of its Bonanza franchise system to a subsidiary of Metromedia Inc., owner of the rival Ponderosa steak-house chain.

The $71 million sale was recently completed, according to USA Cafes, which had agreed to change its name to Cafes One L.P. on Oct. 25. The company has not yet distributed the proceeds.

USA Cafes said in a statement that the suit is without merit. Efforts to locate the suit's filers were unsuccessful.

# Congress bans funding for Sec. 89 enforcement

WASHINGTON — Instead of immediately repealing Section 89, Congress is attempting to negate the controversial tax regulation by banning the allocation of enforcement funds.

Most observers view the move as a stopgap measure to shield small businesses from the burdensome regulation until an outright appeal can be choreographed.

Section 89 requires employers to prove with reams of paper work that they do not discriminate when awarding employee benefits. Restaurateurs and other small-business operators yelped when the stipulation went into effect this year, spurring Congress to block enforcement by failing to allocate the necessary funds. However, funding was not outlawed.

# Quaker's Jones resigns; VanBenthuysen steps up

CHICAGO — Russell Jones, who led Quaker Oats Food Service during its 10-year transformation from a small $30 million operation into a dominant $600 million business, has resigned as president in what he called a protest against "consolidations and cutbacks in the corporate environment."

He said that he gave 18 months' notice of his intentions, but Quaker immediately replaced him with Walter VanBenthuysen, who recently had been named a Quaker group vice president.

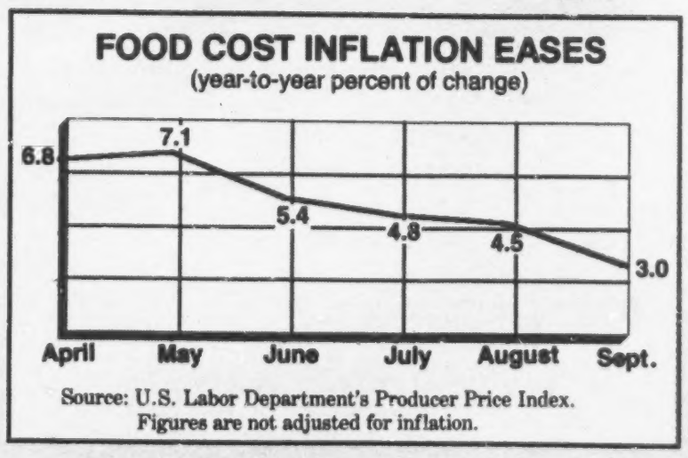
# *Wholesale food prices slow in Sept.*

WASHINGTON — Wholesale food prices grew at their lowest rate of the year in September, advancing only 3 percent year to year, according to the U.S. Labor Department's producer price index for finished consumer foods.

Supermarket price inflation also slowed to a year's low of 5 percent in September from 5.8 percent in August, according to the department's consumer price index for food at home, while the CPI for food away from home showed menu price increases held firm, at about 4.7 percent.

Wholesale prices for fresh fruits dropped 10.2 percent in September, followed by prices of fresh and dried vegetables, which fell 17.5 percent; processed turkeys, which slipped 12.3 percent; processed young chickens, which slid 5.5 percent; and fish, which declined 5.4 percent.

Leading the price gainers, eggs advanced 22 percent, dairy products went up 8.8 percent and pork increased at a rate of 4.7 percent.




Source: U.S. Labor Department's Producer Price Index.
Figures are not adjusted for inflation.

FINANCIAL NEWS

# Profits, sales skyrocket at Taco Bell, Pizza Hut

By Rajan Chaudhry

PURCHASE, N.Y. — Dizzying profit gains at Pepsico Inc.'s Pizza Hut and Taco Bell units more than offset falling earnings at its Kentucky Fried Chicken division to boost the company's profits from restaurant operations 25 percent, to $139.1 million, for its third quarter ended Sept. 9.

Sales for the period jumped 22 percent, to $1.3 billion.

Taco Bell continued to benefit from its value-pricing strategy, in which it permanently dropped the price of its tacos, the company said. Promotions during the quarter, including its collector cup tie-in with the box-office smash "Batman" movie, and tighter cost controls also contributed to the gains.

In the third quarter, Taco Bell's profits soared 50 percent, to $40.5 million, on a sales gain of 33 percent, to $373.3 million. Same-store sales for U.S. company-owned units rose 22 percent in the quarter and 21 percent in the latest nine months.

At Pizza Hut strong sales gains from traditional and delivery channels, improved operating margins and rapid expansion of delivery locations boosted the division's profits 33 percent, to $62.2 million, on a sales increase of 24 percent, to $596.3 million.

*Taco Bell continued to benefit from its value pricing strategy, in which it permanently dropped the price of its tacos.*

Comparable sales for domestic company-owned Pizza Hut restaurants increased 13 percent for the quarter and 13 percent for the September-ended nine months, Pepsico said.

Profits at Kentucky Fried Chicken declined 4 percent, to $36.4 million, while sales rose 7 percent, to $326.3 million.

"Strong double-digit growth at KFC International was more than offset by a decline in domestic operations, due principally to lower customer counts and higher chicken and labor costs," the company said.

Same-store sales for U.S. company-owned KFC restaurants were flat for the quarter.

Overall, Pepsico posted an increase of 12 percent in net income, to $269.3 million, on a sales gain of 25 percent, to $3.9 billion, for the latest quarter.

## FACT FILE

*A look at the statistics shaping the industry*

**WORTH THE WAIT IN PHILLY**

**(Average hourly earnings* of waitstaff at full-service hotel restaurants, 1988, in dollars)**

Source: Bureau of Labor Statistics. *includes tips

# Sales at restaurants, bars advance 2.4% in September

WASHINGTON — Sales at the nation's restaurants and bars grew 2.4 percent in September, their lowest year-to-year rate of 1989, according to initial figures from the U.S. Census Bureau.

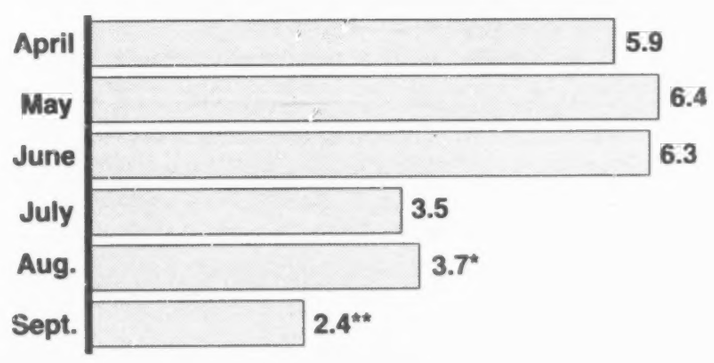
September was a difficult month for many restaurant companies, said Leslie Steppel, an analyst with Prudential-Bache Securities in New York.

Steppel estimated that real same-store sales — which are comparable-unit sales minus menu-price increases — fell 6 percent at Collins Foods International Inc., a major Kentucky Fried Chicken franchisee, in September; 2 percent at Luby's Cafeterias Inc.; 1 percent at McDonald's Corp.; 1 percent at Shoney's Inc.'s Captain D's seafood chain; and 0.5 percent at Wendy's International Inc.

Among the restaurant companies that Steppel follows, Ryan's Family Steak Houses Inc. posted the strongest real sales gains, 4.5 percent, followed by Shoney's coffee houses, 3.5 percent, and Chili's Inc., 3 percent.

**SALES GROWTH SLOWS AT EATING AND DRINKING PLACES**

**(year-to-year percentage change)**




Source: U.S. Census Bureau. Figures are not adjusted. *preliminary **advance

## FOOD PRICE OUTLOOK

# *Broiler production up; prices down*

**Broiler** producers have continued to boost production, with the increase running about 7 percent over last year's. Even though movement has also increased, it lags behind production, causing an increase of more than 25 percent in boilers held in storage. That, combined with lower **feed costs,** has prompted producers to lower prices to about 8 percent below last year's.

**Turkey** prices are running about the same this year as last. Although production is up, so is movement. The quantity in storage is up a bit over last year's but not enough to force holiday prices down to bargain basement levels. A continued increase in processed turkey products has turned marketing into a year-round activity. Although supplies are strong, panic holiday sales may be a thing of the past.

**Pork** prices have been high, as harvesting has kept many farmers from marketing hogs. Although the marketable hog-on-farm inventory is nearly even with last year's, prices are up more than 20 percent on the hoof, and pork prices are up more than 40 percent. At the same time, owing to a glut in storage, **pork bellies** — the raw material for bacon — are down slightly from last year's supply. Marketing should increase, and prices should moderate in the late fall.

Despite U.S. Department of Agriculture estimates that a **Florida juice orange crop** is down from last year's supply, prices will stay stable or even fall a bit. Brazilian producers lowered prices by more than 13 percent on frozen concentrate, which will make up nearly half of U.S. consumption. A late bumper crop plus a desire to increase world market share prompted the cut.

With **green coffee bean** prices at their lowest levels in the past decade, look for roasted coffee prices to continue to moderate as roasters go into their heavy production season. Failure of a two major attempts of the International Coffee Organization to impose quotas on producing countries and strong crops from Brazil and Colombia mean raw product prices should stay low well into winter.

**— Patt Patterson**

## NRN FINANCIAL DIGEST

### Economists expect drop in prime rate

NEW YORK — An easing in the federal funds rate to 8.75 percent from 9 percent has analysts predicting that banks will cut the prime rate by one-half percentage point, to 10 percent.

The prime rate — the benchmark interest rate that banks use in determining business and consumer loans — generally hovers about 1.5 percentage points above the federal funds rate, which is the amount of interest banks charge each other for overnight loans.

Following the Oct. 13 stock market plunge, the Federal Reserve began easing credit in an effort to restore investor confidence. When it becomes clear that the Federal Reserve has eased the bank rate to 8.5 percent, banks will cut the prime, bank economists said.

Banks last dropped the prime rate — to 10.5 percent from 11 percent — in July.

### Natural disasters put strain on SBA

WASHINGTON — The Small Business Administration said that it has received more than 6,000 applications for disaster loans from South Carolina businesses and residents in the aftermath of Hurricane Hugo and that it is gearing up for a new flood of requests for aid following the earthquake that rocked the San Francisco area.

Almost half of the South Carolina appeals came from businesses, largely from restaurants and other tourist-dependent seaside concerns, an SBA spokesman said.

### Rax loses $13.3 million for year

COLUMBUS, Ohio — Rax Restaurants posted losses of $6.4 million in its fourth quarter and $13.3 million for its year ended July 31.

The company said it lost $3.1 million on the disposition of assets and incurred a $4.3 million charge for the writeoff of past-due receivables from franchisees.

Revenues for the quarter dropped 5 percent, to $30 million, and the company's revenues for the year fell 9 percent, to $112.1 million.

In 1988 Rax's profits totaled about $1.1 million for its fourth quarter and $2.5 million for the year.

### NCS loses $7.4 million

HOUSTON — National Convenience Stores Inc. said that despite a $3.6 million aftertax gain from the sale of 37 stores, the company lost $7.4 million in the quarter ended Sept. 30.

In the comparable quarter last year, the company's net income was $1.4 million.

Sales for the latest quarter increased 4 percent, to $285.6 million.

National Convenience operates about 1,100 convenience stores. In September the company closed its deal to sell 37 stores in the Nashville, Tenn., area to Mapco Petroleum Inc.

# FOCUS | VIEWPOINT

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# A true landmark: The Four Seasons

Tom Margittai, a native of Transylvania, and Hungarian-born Paul Kovi had a crucial decision to make in 1972 when Restaurant Associates decided to sell The Four Seasons restaurant in New York City's Park Avenue Seagram Building. As RA vice president and Four Seasons director respectively, they faced this choice: Should they place their future with The Four Seasons, which they dearly loved but which was rapidly declining and required endless commitments of time and energy without foreseeable monetary rewards? Or, then at a critical career juncture in their late 40s, should they accept any of a number of food-service opportunities, including one as a McDonald's New Jersey franchisee, where they would probably become wealthy and not have to work the grueling 16-hour days of fine dining?

The two pondered their options and chose The Four Seasons, purchasing it from RA and dedicating themselves to restoring its eminence — and then some. Showering their love and affection for this temple of dining, where the rich and famous gather daily, they turned it from a losing operation in an economically hard-hit city in the early 1970s to a phenomenally successful operation with quadruple its former volume.

True, the reservations are not quite so difficult to obtain today in the slump that has again assailed New York City restaurants, and the tables are no longer full after 10 p.m. But lunch and dinner still draw peak crowds, and The Four Seasons still is a coveted ticket.

Only Margittai's and Kovi's close personal attention to every conceivable detail of the restaurant and to their cherished customers has made this success possible. They have fashioned a stunning, eclectic menu that changes with each season. Along with the superb food, they have fine-tuned staff training to the ultimate and put in special personal touches, such as their own herb garden, at the restaurant.

The Four Seasons has won almost every conceivable award, including Nation's Restaurant News' Fine Dining Hall of Fame honor. The restaurant is internationally acclaimed. In fact, it is so famous that, whereas mention of the Seagram Building often draws blank stares in foreign countries, The Four Seasons is well-known to most traveling executives around the world.

From its opening in 1959, The Four Seasons has sported a modern elegant decor with carefully selected artwork, large plants, and special chairs and fixtures. Even the walls and railings are extremely well designed.

Five dining rooms on the first and mezzanine floors seat 400 persons, and the top attractions are the Grill Room, where major deals are consummated, and the pool room with its unsurpassed fountain and relaxed dining. Two well-stocked wine cellars are virtually unparalleled.

It is without question a landmark restaurant. In fact, no other restaurant in the world is comparable.

Thus the New York City Landmarks Preservation Commission earlier this month unanimously certified The Four Seasons as the first Manhattan restaurant to achieve landmark status, along with the 31-year-old Seagram Building, in which it is housed. The only other New York City restaurant to receive landmark status is Peter Aschkenasy's Gage & Tollner in Brooklyn.

The action designates The Four Seasons' space as a landmark and would help protect it from any conversion to other uses when the current 20-year lease expires in 1999, although a different restaurant could be put in the hallowed premises then.

In view of all this, it is distressing that the building's owners for the last 10 years, the powerful, national Teachers Insurance and Annuity Association, have asked the New York City Board of Estimate to overturn The Four Seasons landmark designation, as is the board's prerogative. Although such a reversal, which by statute would have to be done by December, seems unlikely, the association well may appeal to the New York State Supreme Court next year.

Actually, the association and its representatives have been fighting any landmark status for The Four Seasons since Margittai and Kovi first applied for it in May 1988.

"It would, in my judgment, be a shocking intrusion upon the personal property rights of these respective owners to be subject in any way to a landmark designation which purported to restrict or affect their right to use and dispose of this property in any way they see fit," real-estate agent Edward S. Gordon wrote to the commission just two months ago.

Philip DeGennaro, vice president of the Teachers Association, maintained that any such landmark designation would be "a singular benefit" to The Four Seasons, "locking us in to restaurant use of this space."

Paul Bayard, the association's architect, insisted that the space occupied by The Four Seasons is undistinguished and that, without the furnishings, would be "a void without any particular architectural character." But master architect Philip Johnson designed The Four Seasons in the late 1950s while Garth and Ada Louise Huxtable planned the table settings, and the restaurant has remained true to its origins ever since.

While vehemently opposing any landmark status for The Four Seasons or its space, the association has no objection to the building itself being a landmark. It simply wants to reserve the right to amend The Four Seasons' lease when that expires in 1999 or the option of bringing in a new tenant. It regards landmark status as infringing on the landlord-tenant relationship by locking it into a permanent lease.

Fortunately, many of The Four Seasons' prominent customers from publishing, the theater and all walks of life as well as some who are not customers wholeheartedly supported the landmark application.

"Thirty years have passed since we designed the glassware, china, silver holloware and wagons and other dining accessories," the Huxtables wrote. "The building and the restaurant could not have been more closely allied."

"This restaurant has remained exactly as it was originally designed," Donald Trump declared. "Then, as now, it is a magnificent design and an artful use of space that deserves landmark designation."

"There is no more elegant space in Manhattan that typifies the essence of quality," emphasized Random House's Joni Evans, "and all New Yorkers join me in this sentiment."

"I treasure the combination of grandeur and privacy," Helen Frankenthaler proclaimed.

"It would be a tragedy if it were turned into office space or an automobile showroom," attorney Edward Costikyan asserted.

George Lois, chairman of Lois Pitts Gershon advertising, hailed The Four Seasons as "a veritable temple of cultural excellence" and exclaimed, "Hallelujah!"

When Joseph Seagram & Sons selected the site at 375 Park Ave. as its headquarters building in the late 1950s, some consideration was given to putting a crafts museum or a stylish automobile showroom in the space on the main floor. But Seagram's was intent from the first on launching a top-class restaurant. When the building opened in 1958, Seagram's chose Restaurant Associates and issued a mandate to "open a great restaurant."

Joseph Baum did exactly that and more. Later, after The Four Seasons had lost luster, Seagram's gave Margittai and Kovi the same mandate.

Now in their mid-60s, they have persevered and succeeded beyond even their own dreams and deserve the right to eventually pass the restaurant along to the people they have so astutely trained to run it.

Landmark status would help preserve these goals and must be upheld for The Four Seasons. How much better it has been and will be to have a glittering, acclaimed restaurant than an automobile showroom or bank in that space.

## LETTERS

### *Great to get the facts on the cooking oil saga*

Editor, NRN:

Thinking back to our conversation at the recent meeting in Washington, relative to the information I had sent you on our "cooking oil saga" here in Missouri, I had no idea that it would appear as a full-blown wonderful editorial written by you. All of us thank you very much.

I Called Carl Degen at our Missouri Restaurant Association in Kansas City to let him know I had not meant to have my name mentioned. Carl said it was no problem; he was just delighted to have this information "sent out" to the industry because it might help some other group.

We heard Virginia is trying to do the same thing. I am not sure if our Supreme Court of Missouri decision would have any bearing on another state or not. Maybe.

**— Marshall Scott**
*president*
Marshall Scott Enterprises
St. Louis

# What will the FTC do?

(Continued from page 1)

regulations would supercede state laws, which are widely regarded as being more stringent than the current nationwide laws.

Critics also note that the FTC guidelines may not address such concerns as what a franchisor can claim in advertisements for prospective licensees—a matter regulated by some states. It is not certain whether those laws would be voided by new national laws.

What's more, a turf battle between the FTC and state rugulatory bodies could draw attention away from needed reforms of the disclosure laws themselves. "There are so many things you can't say because of the disclosure laws," commented Tom Feltenstein, managing principal of Franchise Systems Corp., a marketing and franchise consultant in West Palm Beach, Fla.

Ironically, the FTC roused so much anxiety in a well-intentioned quest to facilitate the courtship of franchisors and prospective licensees.

For the last decade, the industry has been regulated by a patchwork of federal and state regulations; the FTC dictated what information a franchisor had to provide a prospective franchisee, but allowed state laws to hold away if those disclosure regulations were more stringent.

Fifteen states and the District of Columbia have franchise disclosure laws on their books; in the remaining 35 states, a franchisor complies with the FTC's disclosure requirements. To spare a nationwide franchisor from the hassle of using a different means of disclosure in every state, all regulators—both federal and state—agreed years ago to accept a standard form called the Uniform Franchise Offering Circular.

The setup clunked along until 1986, when the UFOC was updated by the North American Securities Administors Association, the group that monitors use of the UFOC. The revised document required less information from franchisors about their earnings.

The FTC and 14 states accepted the new form; New York and Minnesota balked. The new form was scheduled to be phased into use during 1988. Afterward, chains would be required to process several different forms to sell franchises nationwide.

Licensors have long been riled by a similar lack of standardization in registration laws. Each state requires prospective licensors to register before they begin selling franchises. Yet the registration requirements vary widely.

FTC commissioner Terry Calvani admitted before a franchising convention that efforts to weave a "seamless quilt of disclosure laws" had "instead produced a crazy quilt."

Earlier this year, the FTC decided to ease licensors' plight by overhauling federal franchise regulations. Toward that end, the agency said it would consider the pre-emption of all state laws with a national standard. Concerned parties were asked to present their views on that possibility.

"We were equivocal," said the IFA's Simon. "We detailed the problems of the existing dual franchise regulations and concluded that it was an enormous burden. We said we didn't care if the states act or the federal government acts, as long as something is done to come up with one system."

As the FTC was reviewing the input, the influential NASAA shocked all interested parties by suddenly submitting what it dubbed a "model franchise investment act." Included in the comprehensive proposal was the recommendation that franchisees be given a six-month warning before being terminated, and that a licensor be required to acquire a terminated franchisee's assets.

The IFA has vehemently attacked the measure. "The industry couldn't live with it," Simon said.

"It's not a final proposal," counters John Hayden, a California securities administrator who chaired NASAA's ad-hoc committee to draft the model franchise act. "It's a committee product. The act has not been adopted by NASAA, and it's out for public comment."

Why present an unfinished proposal to the FTC?

"There part of the public," said Hayden. He declined further comment because "we would like to wait until we get the public comments."

As for the timing of the proposal, Hayden asserts that it is not an issue because the IFA has asked the FTC to accept further comment about possible changes in franchise regulations. Many expect the FTC to re-convene the information-gathering process.

But, warns Simon, the FTC could surprise everyone. "I don't think there's anyone who knows what the FTC is thinking right now," he commented.

# Food-service franchisees flex their newfound muscle

When Arby's parent company recently received an unsolicited takeover offer, it responded with a terse "no deal." But franchisees of the sandwich chain quickly butted in with a "not so fast." Concerned that a hostile takeover battle would siphon money away from the restaurant chain, licensees sought to yank Arby's out of the fray by insisting that the system be sold to them.

When The Pillsbury Co. abruptly decided last year to spin off its Burger King chain to thwart a hostile takeover by Grand Metropolitan PLC, the hamburger chain's franchisees screamed their displeasure. Convinced that another buyer would be too strapped with debt to turn around the ailing system, franchisees convened their own powwow with Grand Met. The divestiture plan fizzled, and today Grand Met owns Burger King.

And when the president of Rax, a Midwestern fast-food chain, fired a much-liked marketing executive for a sales dip that did not seem tracable to the marketing department, licensees yelped loud enough to get some attention. Months later, the president resigned under pressure.

Those recent occurences underscore the growing militancy and might of today's restaurant-chain franchisees.

"Franchisees are starting to revolt,"

(Continued on page 6)